

STARTING AN ARCHITECTURE FIRM:
From Academia to Profession

B. Todd Riches
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School of Architecture
University of Hawai'i at Mānoa

DArch Project Committee
Fred Creager, Chairperson
Ronald Skaggs
Carol Sakata

Starting an Architecture Firm: From Academia to Profession

B. Todd Riches

May 2008

We Certify that we have read this DArch Project and that, in our opinion, it is satisfactory in scope and quality as an DArch Project for the degree of Doctor of Architecture in the School of Architecture, University of Hawai'i at Mānoa.

Doctor of Architecture Project Committee

Fred L. Creager, Chairperson

Ronald Skaggs

Carol Sakata

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Starting an Architecture Firm:

From Academia to Profession

Abstract

Starting an architecture firm straight out of college seems a bit challenging, almost impossible. Challenges such as a required accredited degree, three years of the Intern Development Program (IDP), the rigorous Architectural Registration Exam, and proper experience can seem daunting and appear as obstacles to the desired goal. Upon graduation, many students find the actual work of an architect's profession very different from the school work they have devoted themselves to over the previous five to ten years. This misconception can present an unfamiliar challenge in our early years in the profession whether starting a firm or working for an existing firm. Eighty percent of students at the University of Hawai'i School of Architecture expect to someday own and/or operate their own firm. This research is intended for current students and graduates who are interested in starting a firm, giving an idea of what it requires, and how to prepare for it.

Though these challenges may appear overwhelming, a look at this goal from a macro perspective will identify the overall steps and what it takes to succeed. Looking at the Intern Development Program (IDP) to the Architect Registration Examination (ARE), from state/territorial licensing to general business laws, from raw numbers generated from existing firms to business organization and planning are like paying taxes; they are necessary and positive reinforcements to a successful firm. Other aids that help ease the fear include learning about other successful firms' stories; their history, their successes and challenges, and how they operate today. Consultants such as attorneys, certified public accountants (CPA), lenders, and insurance agents can also give good insight when preparing to start a firm. Interviews have been given to individuals in each of these areas that will help piece together strategies, commonalities, strengths, weaknesses, cultures, markets, and recommendations to help start students and graduates off on the right foot.

This research has been divided into Part 1 and 2. The first part is really the end result of all the research — sort of the dessert before dinner. It contains a template for a strong business plan and samples of marketing brochures. Part 2 contains all of the research building up to part 1. Without it, you really wouldn't understand the significance of the outcome.

The result of this research is to help prepare the graduating student who wants to start a firm become more knowledgeable about how to do it. "Proper preparation is the key to our success. Our acts can be no wiser than our thoughts. Our thinking can be no wiser than our understanding."¹ This work is presented in the hope that by realizing what is required to establish a design firm, the graduate will be able to dispel the misconceptions of incompetency (in the area of business operations), acquire confidence in starting a firm, and either start a firm or become a greater hired asset from the day of graduation.

Salt Lake City, Utah
2007

¹ George S. Clayson, *The Richest Man in Babylon*, (New York: Signet 1988), ix.

Acknowledgements

Unless you have written a book, it is difficult to understand how much time others have spent helping to provoke thoughts, edit indiscernible text, and make invaluable recommendations to your research. I am, as any other writer or researcher should be, indebted to many.

First and foremost, I am indebted to my wife and family, who patiently bore many tribulations for which I am the cause; this research being one of the many.

I am also indebted to my DArch committee who also, with patience, found some way to interpret the incomprehensible writing and continue to give me the encouragement in untangling the mess and finish the task.

I need to thank those who were involved in this research. To which, if they would not have been a part, I would have nothing. I have learned much from the wisdom and experiences shared by many professionals without a sitting fee; for that I am very grateful. Also, many thanks to Sasaki Associates and Paul Louie and Associates for the use of their projects in the marketing brochure samples; without which, those pages would be left blank.

The University of Hawai'i School of Architecture has been determined to invest greatly in its students. I have learned many things which I will be using in my upcoming career. I am indebted to the school for the many years of education and look forward to finally using it.

PART 1

I. The Business Plan



Business Plan- 2009

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Riches Incorporated

Business Plan

I. Executive Summary

Riches Incorporated is an architectural firm providing services for smaller state governmental and educational facilities. Our business stems from the concept that due to the growth of Utah's economy, firms that were once working with these smaller projects have grown and are now focused on larger projects. Riches Incorporated has been founded with a design portfolio of state projects, municipalities, grade schools, universities, and commercial markets. With the recent downturn of the economy, the firm is concentrating particularly on the government and educational facilities.

1. *Mission Statement*- At Riches Incorporated, our business is to increase the standard of living by improving, innovating, and inspiring by design. This is our mission. Everything we do reflects this mission and the values that make it possible.

2. *Vision*- Riches Incorporated will be a "five star" architecture firm, rated by evaluations given to the clients through measurements of quality, budget, timeliness, innovation, integrity, honesty, education, value, sustainability, and service.

3. *Values*-

- *Passion for our clients, employees, and technology*- We will provide our clients with a fair price, quality service, and dedication. We recognize and reward good performance and lead and develop people so they can grow. We utilize technology to enhance quality, shorten time-frames, and improve skill-set.
- *Honesty and Integrity*- We want to be judged by "*doing the right thing*" instead of just "*doing things right*". We strive to understand our decisions, and accept responsibility for them.
- *Accountability*- We focus on introspection. Problems are seen as an opportunity to do something different rather than a road block into the future. Each employee knows the results that are expected of him/her.
- *Personal Excellence and Self-Improvement*- We support the desire of individuals to become better. We strive for personal excellence in continuing education, mentoring, and rewarding success.

- *Building Strong Relationships*- Strong relationships are built on trust, honesty, and integrity. We listen, understand, and interpret the needs of the clients, associates, consultants, and communities, treating them as partners.

4. 2009 *Goals*- To establish a reputation for competency in government and educational projects.

- Week 1: attain first government project
- By week 2: start arranging meetings with educational facilities managers/directors
- By month 3: hire one full-time design technician
- By month 3: attain first educational project
- By month 6: solidify second government project
- By month 6: secure the second educational project
- By month 6: hire second full-time design technician
- By month 10: attain third government project
- By end of year two: increase revenue by 50% of first year's revenue
- By year three: hire an office administrator
- By year three: move into an office
- By end of year three: increase revenue by 50% of second year's revenue
- By year four: hire additional 2–3 three design technicians
- By year five: increase revenue by 100% of third year's revenue

5. *Business Model*- Riches Incorporated is a business-centered firm.

6. *Organization*- Riches Incorporated is a Sub-chapter S Corporation.

II. Management Teams

1. *Management Team*- Todd Riches is a licensed architect in the state of Utah (license #0000- 6/08) experienced in managing state government, educational, and residential projects. Several projects have received local and state recognition. He is accredited in Leadership in Energy and Environmental Design (LEED). He is a member of the American Institute of Architects (AIA), and his credentials are certified with the National Council of Architectural Registration Boards (NCARB). He is also certified with the Construction Specifications Institute (CSI) as a Construction Document Technician (CDT).

In the expansion of the firm, additional positions will be filled. In 1–2 years, an office administrator will be necessary with at the least a basic knowledge of financial software, bookkeeping, financial statements and project management

reports, budgets, scheduled audits and tax returns, supervise billings and collections, cash reports, liability insurance, receptionist responsibilities, purchasing activities, and supervision all other office management functions such as personnel, insurance claims, and central files.

In the event that the firm becomes too large for the management of a single principal, another principal will be considered to increase the firm's potential growth.

2. *Technology Plan*- The following items are needed:

- Website
- Software: AutoCAD 2008, Autodesk Revit 8.1, Adobe Photoshop CS3, 3D Max 9, Quickbooks 2008,
- Computers (2) 1-desktop, 1-laptop
- Communication (cell phone (1), email, all-in-one (fax, printer, copier, scanner), plotter, internet, intranet, interactive client database)

III. Business Objectives

1. *Revenue*-

Riches Inc. has a goal for the first year in business to make \$200,000 net revenue.

2. *Market Projection*-

Riches Inc. plans to target the governmental (state and municipalities) and educational facilities markets. The following are approximate numbers indicating the work competition in relation to other firms within the state of Utah. Currently, there are about 264 firms with licensed architects, 108 firms are listed with the American Institute of Architects¹.

a. Government- Our firm aims to service small state government projects (replacement work, renovations, etc.), as well as servicing Utah's largest military base (Hill Air Force base). Approximately 14% of all Utah-based architecture firms service state government projects. Of those firms, 36% focus mainly on smaller projects. Our goal market projection in relation to these firms is 3% of small state government work.

b. Education- Our firm is also targeting educational facilities on the same level as government projects. We plan to service the small, renovation, and

¹ AIA, "AIA Utah Residential Architecture Firms," http://www.aiautah.org/index.php?page_id=20&page_cat_id=11 (accessed February 14, 2008).

replacement work to supplement their already established facility management programs. Approximately 20% of all Utah-based architecture firms service educational type facilities (K-12, high schools, private facilities, higher education, etc.). Of those firms, 22% focus on smaller projects. Our goal market projection in relation to these firms is 3% of small educational projects.

IV. Marketplace

1. *Overview of Utah Markets-* According to the Utah Population Estimates Committee, Utah's official 2006 population estimate was 2,615,129, the largest population in the state's history, and a 2.7% increase from 2005 — the sixth fastest growth rate in the U.S. The 2006 estimated population increase of 67,740 was the second greatest in the state's history, trailing only the 2005 increase of 78,159. The U.S. Census Bureau currently projects that Utah's population will increase to 5.4 million by 2050.

The state's growth is due to the substantial net immigration, combined with the nation's highest birth rate (21.2 births per 1,000 citizens) and the second lowest death rate (5.6 per 1,000), according to the National Center of Health Statistics. The median age in Utah is 28.5 years, the youngest in the U.S.

Utah has 29 counties, however, the population is primarily concentrated in these urban areas: Salt Lake, Utah, Davis, and Weber. 75 percent of Utah's populace lives in one of these four areas. In 2006, more than 75% of the state's overall population lived in one of these four counties. Salt Lake is the most concentrated county in Utah with 996,374 residents, followed by Utah County (475,425), Davis County (286,547); and Weber County (215,870).

Salt Lake City, according to the U.S. Census Bureau, is the largest city in Utah with a population of 178,970 in 2005.²

2. *Market Segments/Areas of Focus-*

A. Education- The firm's intentions for educational work is to target small renovation and replacement work for public, private, and charter schools. With this in mind, Utah has ten public and three Utah-based private

² State of Utah, "Utah Facts 2008," <http://goed.utah.gov/documents/FACTSBOOK2008.pdf> (accessed February 4, 2008).

universities and colleges. In addition, there are 40 school districts with 92 private and parochial schools, and 58 charter schools.³

Because we are interested in starting with smaller school projects, it is requisite that we contact all of the facility managers/directors. Our focus is for the following school districts, universities, etc.: Alpine, Box Elder, Cache, Farmington, Granite, Jordan, Spanish Fork, Mt. Pleasant, Park City, Tooele, Wasatch, Bicknell, Weber, Salt Lake, Ogden, Provo, Logan, and Murray, University of Utah, Brigham Young University, Utah State University, Weber State University, Westminster College, LDS Business College, Salt Lake Community College, Utah Valley University, College of Eastern Utah, and Snow College. The remaining school districts and universities would be a target as the firm grows.

References from our past clients such as the University of Hawaii at Manoa, Kamehameha Schools, and Brigham Young University in Hawaii will serve as aids in acquiring projects by potential clients.

B. Government & Municipal- The Department of Facilities and Construction Management in Utah is the central source for our future state projects. Their internet site contains current and future projects awaiting bids from architects, contractors, engineers, and varies in all price ranges. Generally 2–6 firms will compete for the same project. With our experience in state government work located in Hawaii, we feel we are competent enough to compete for these projects. The Hill Air Force Base, Douglas Proving Grounds and the Tooele Army Depot are among the potential clients listed under the state government projects.

C. Contacts & References-

1. City and County of Honolulu- Tony Florintine- Department of Planning and Permitting
2. Brigham Young University, Hawaii: Judd Whetten- Physical Plant Director
Billy Casey- Assist. Physical Plant Director
3. Kamehameha Schools: Wendy Cook- Physical Plant Director
4. Paul Louie and Associates: Paul Louie- Principal and Owner
5. University of Hawaii at Manoa- Loren Lau- Project Manager

³ State of Utah, "Utah Facts 2008," <http://goed.utah.gov/documents/FACTSBOOK2008.pdf> (accessed February 18, 2008).

V. Marketing Plan & Strategy

1. *Branding*- The firm name relates directly to the name of the founder. It can also create an emotional attachment to the work in its double meaning. The logo shows a clear message through modern colors and shapes to build long-term value to our target market. The logo will harmonize different themes and images to focus on consistency and aesthetics.

2. *Advertising*- To solicit our services to potential clients, we'll approach it at a macro to micro perspective aiming for our target market. A mass media approach (Trade Magazines, internet, direct mail, signage, etc.) will allow us to massively disseminate our services and create an awareness of our firm among our target audience. Secondly, we'll use affiliate marketing and direct calls with possible clients to contact businesses with whom we want a relationship. Thirdly, we plan to include articles or publications to become known in our market areas. Lastly, we feel being involved in associations and memberships (such as AIA, Air Force Association (AFA), and International Facility Management Association (IFMA)) along with helping to educate school districts in meetings on current topics within the area will help get our firm known within the communities.

3. *Affiliations*- Visits with school district facility managers and directors are important. We believe a personal relationship with these individuals will help make an impression and gain a feel for who they could be dealing with in their future projects.

Associations with the state government facilities are also important. Although the project procurement is done via the internet, close relationships can foster better turn around times, enjoyable working environments, and in the end, a happier client.

VI. Competition Analysis

Competitors are particularly active in a slower economy because there is more demand for work. The current economy has indicated that a slower economy may become the case in the near future. We rely greatly on our differentiation in design and capabilities to deliver value to the client.

The two types of competitors reflect the various markets our company is focusing on: state government and educational facilities.

1. Firms competing for state government projects in Utah most commonly offer the same design services with past experience. They have also built relationships to the directors and facility managers tipping the scales in a favorable direction.

2. Firms competing for educational facilities also tend to compete using the same design services. The difference between educational facilities and government projects is they can become personal. Schools tend to invite firms that have past work with them back to design remodel or renovation work. Having a good relationship with the facility manager of a school district can be the difference between being their consulting architect and never winning their projects.

These and other sources of eventual competition can be beneficial in various ways.

1. To increase differentiation. As a small company, we specialize in remodel, renovation, and other areas in government and educational work that larger firms do not find worth going after.

2. To smooth out fluctuations in demand. Real estate is based largely on the ebbs and flows of the economy. With balancing the private sector work with the public/professional industry, we can follow the economy changes to benefit from the peaks and valleys that is important for continual growth.

3. To increase demand. Differentiating our services from our competitors as well create a niche in certain areas can aid in breaking up the market. This can act as a marketing tool as the firm gains an identity for a particular service.

4. To improve and direct change within Utah. Fair competition can make Utah a better place to live, work, and play. However, firms that practice with poor quality in health, safety, and welfare services can hurt our credibility in providing professional services. Uneducated clients in the industry receiving poor quality service may figure that to be the standard, or realize the truth and label all architects the same.

When new markets open, competitors are naturally expected to appear. These markets are large enough to accommodate many firms. However, to secure our “fair share” of the work in these markets, we will strive to propose additional complementary services to give real value to our clients such as following up on warranties one year post occupancy.

VII. Exit Strategy

Riches Incorporated plans to continue business in the future using a perpetual leadership procession plan. This company plans to establish itself through invested savings of the owner supplemented by a loan, and is sufficient to cover the costs for the first year of business. At this time however, in the case that the monthly burn-rate exceeds that of the cash flow, we will either deem the firm unsuccessful, the economy not ideal, or the timing is not right and close Riches incorporated temporarily or permanently depending on the circumstances.

VIII. Financial Summary & Projection

1. REVENUE PROJECTION- 2009*

	Total	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Exist. Projects													
Gov. Project A	\$30	\$5	\$20	\$5									
Total Backlog	\$30												
Unidentified Future Work													
Gov. Project B	\$30						\$5	\$20	\$5				
Gov. Project C	\$30										\$5	\$20	\$5
Educational Project A	\$30			\$5	\$20	\$5							
Educational Project B	\$30						\$5	\$20	\$5				
Educational Project C	\$50									\$10	\$30	\$10	
Total	\$170												
Grand Total	\$200	\$5	\$20	\$10	\$20	\$5	\$10	\$40	\$10	\$10	\$35	\$30	\$5

*All figures are in thousands of dollars

2. STAFFING PLAN

	Base Salary	Hours Per Year	Hourly Rate	% Charge & Utilization Rate	Charge Hours	Direct Salary	Indirect Salary
Principal	\$60,000	2,080	\$28.85	60%	1,248	\$36,005	\$23,995
Design Technician	\$28,080	1,560	\$18.00	85%	1,326	\$23,868	\$4,212
Design Technician	\$18,720	1,040	\$18.00	85%	884	\$15,912	\$2,808
Totals	\$106,800				3,458	\$75,785	\$31,015

3. 1ST YEAR PROFIT PLAN

Expenses

HEADCOUNT	FY 2009	FY2010	FY2011	FY 2012	FY2013
Principal Salary	1	1	1	1	2
Design Technician	2	2-3	3-4	5	7+
Office Administrator	0	0	1	1	1

Per Person Compensation

Principals	Annually	\$60,000.00
Design Technician	Hourly	\$18.00

Payroll & Payroll Burden

Principal Salary	Annual	\$60,000.00
Design Technician	Hired at end of month 3	\$28,080.00
Design Technician	Hired at end of month 6	\$18,720.00
Total Salaries		\$106,800.00
Payroll Taxes & Benefits	25%	\$26,700.00
Total Payroll & Payroll Burden		\$133,500.00

Office Expenses

Office Rent	Annually	\$8,000
Insurance (office, liability)	Annually	\$12,000
Telephone & Internet	Annually	\$1,200
Office Supplies	Annually	\$500
In-House Printing	Annually (excluding reimbursables)	\$500
Equipment Purchase/Lease	Annually	\$500
Travel	Annually	\$1,000
Marketing Tools	Annually	\$500
Professional Development	Annually	\$1,000
Other Expenses	Annually	\$100
Total Office Expenses		\$25,300

Total Expenses (Approximately)	\$158,800
--------------------------------	-----------

Profit Goal	25% of Total Expenses	\$39,700
Total with Profit		\$198,500
Net Revenue Goal Rounded		\$200,000

Restated Profit Plan

Direct Salaries		\$75,785
Indirect Expenses		
Indirect Salaries	\$31,015	
Payroll Taxes and Benefits	\$26,700	
Office Expenses	\$25,300	
Total Indirect Expenses	\$83,015	\$83,015
Total Direct Salaries & Indirect Expenses		\$158,800
Profit Goal @ 25% of Total Expenses		\$39,700
Total with Profit		\$198,500
Net Revenue Goal Rounded		\$200,000

Multipliers

Direct Salary Expense (DSE) Break-Even Multiplier

Total Direct Salary Expense + Total Overhead	\$158,800
Divided by Total Direct Salary Expense (staffing plan)	\$75,785
Yields DSE Break-Even Multiplier	2.10

Direct Personnel Expense (DPE) Break-Even Multiplier

Total Direct Personnel Expense	
Total Direct Salary Expense	\$75,785
Payroll Burden (taxes & benefits)	\$26,700
Total Personnel Expense	\$102,485
Total Overhead-without payroll burden	\$56,315
Total Direct Personnel Expense + Total Overhead	\$158,800
Divided by the total direct personnel expense	\$102,485
Yields DPE Break-Even Multiplier	1.55

Net DSE Multiplier

To Pay for Direct Salary Expenses	\$75,785 ÷ \$75,785	1.00
To Pay for Indirect Salary Expenses	\$31,015 ÷ \$75,785	0.41
Equals the firm's Break-Even Multiplier		1.41
To Add Profit	\$39,700 ÷ \$75,785	0.52
Equal the Planned Net Multiplier		1.93

Hourly Billing Rates

Minimum hourly rates are estimated at 2,080 hours a year, rounded to the nearest dollar.

Principal (@ \$60,000)	\$28.85 x 1.93	\$56 /hr.
Design Technician (@ \$37,440)	\$18.00 x 1.93	\$35 /hr.

IX. Appendix 1- Utah Architecture and Design Firms

*Note: Highlighted firms are considered our direct competition

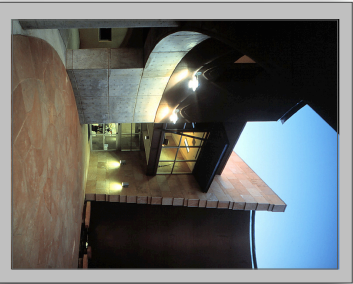
Government			
	Firm Name	Project Type	Web Site
1	3D International Parsons Architecture	All	3di.com
2	Ae Opus		
3	AJC Architects	Renov. and New	ajcarchitects.com
4	Archiplex Group	Maint. Facilities	archiplexgroup.com
5	Architectural Coalition	IRS Annex	architecturalcoalition.com
6	Design West Architects	Small	dsgnwest.com
7	Architectural Nexus	All	archnexus.com
8	Cambell and Associates Architects	Court House	
9	Carpenter Stringham Architects		
10	JRCA Architects	Municipal	jrcadesign.com
11	CRSA	Civic	crsa-us.com
12	Dixon & Associates		dixonslc.com
13	Eaton Architecture	Dept. Human Services	eatonarch.com
14	EDA Architects	Civic	edaarch.com
15	Scott P. Evans	Justice/Correctional	spe-architect.com
16	GMD		gmidgroup.com
17	GSBS Architects	Science	gsbs-pc.com
18	James B. Glascock	Remodel	jbg-arch.com
19	Gordon Gygi	Remodel	
20	Harris and Associates	Public	harris-assoc.com
21	HFS Architects	Civic	hfsa.com
22	HKS Inc.	All	hksinc.com
23	HNTB	Civic	hntb.com
24	Jacoby Architects		jacobyarchitects.com
25	James T. Dressler	Civic	
26	John Vincent & Associates		
27	L.K. Sorensen Associates	Military	
28	Lloyd Architects	Municipal	lloyd-arch.com
29	Method Studio Inc.		method-studio.com
30	MHTN Architects	All	mhtn.com
31	Naylor Wentworth Architects	City Hall	nwlarchitects.com
32	Prescott Muir		
33	Raymond, Van Nosdol & Associates	Small	
34	REA Architecture	Small	reaarchitecture.com
35	Sanders Associates	Civic	sandersarch.com
36	VCBO	All	vcbo.com

Schools

	Firm Name	Project Type	Web Site
1	3D International	K-University	3di.com
2	Ae Opus		
3	AJC Architects	K-University	ajcarchitects.com
4	Allred Soffe Wilkinson Nichols		
5	Andersson Wise Architects	University	anderssonwise.com
6	Anshen and Allen		
7	Archiplex Group		
8	Architectural Nexus	K-University	archnexus.com
9	Babcock Design Group	University	babcockdesign.com
10	Bertoldi Architects	University	
12	Brixen and Christopher Architects	University	
13	Carpenter Stringham Architects		
14	Connelly and Company Architects	K-12	
15	Design West Architects	K-University	dsgnwest.com
16	Dixon & Associates		dixonslc.com
17	Eaton Architecture	University	eatonarch.com
18	EDA Architects	K-University	edaarch.com
19	EMA Architects	Remodel	emarcitex.com
20	FFKR	K-University	ffkr.com
22	GA Architects		
23	GSBS Architects	K-University	gsbs-pc.com
24	Gordon Gygi	K-12	
25	Green Associates	K-University	greenassociates.com
26	Harris and Associates	K-University	harris-assoc.com
27	HFS Architects	University	hfsa.com
28	HKS Inc.	University	hksinc.com
29	HNTB	University	hntb.com
30	James B. Glascock	Remodel	jbg-arch.com
31	John Vincent & Associates		
32	JSA	University	jsa-architects.com
33	KBH	University	kbharch.com
34	KMA Architects	Elementary	kmaarchitects.com
35	Losee Architects	University	
36	Mesuite Consulting Group	University	mesa-group.com
37	Method Studio		method-studio.com
38	Miller Architects	K-12	
39	MHTN Architects	K-University	mhtn.com
40	Nayor Wentworth Lund	Highschools	nwlarchitects.com
41	NJRA Architects	Elementary	njraarchitects.com
42	PGA & W		pgaw-architects.com
43	PJHM Architects	K-12	pjhmutah.com
44	Prescott Muir Architects		
45	Raymond, Van Nosdol & Associates	Small	
46	Sandstrom Architects	K-12	
47	Smith Hyatt Architects		
48	Stemple Form		
49	Tracy Stocking & Associates	University	tsa-usa.com
50	VCBO	All	vcbo.com

II. Marketing Brochures

Tri-fold Mass Mailing Marketing Brochure- Side 1



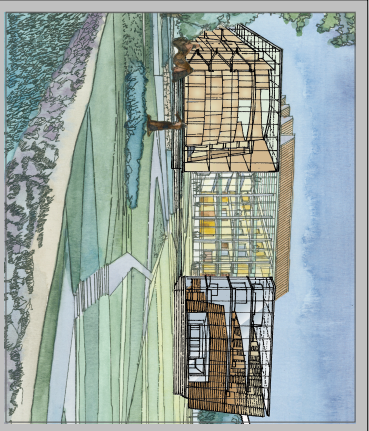
Learning Technology Center
Lorain County Community College

RICHERS INCORPORATED is an architecture firm focused on government and educational facilities. Newly founded but broadly experienced, we are directing our attention toward smaller new, renovation, and remodel work. Our portfolio has extensive expertise in larger work and showcases our skill-set in providing quality service and value. We base our ambition and commitment to our three-fold mission: improve, innovate, and inspire by design.

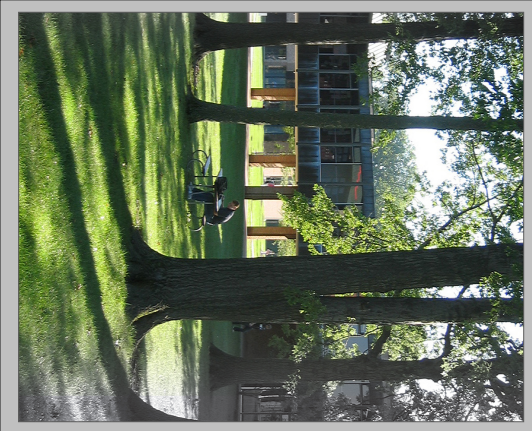
Improve. We believe much work is needed to improve the environment we live, work, and play in. We believe that to "improve" means more than the aesthetics of the building. It means being practical, within budget, staying current in technology, creating an enjoyable environment, and being environmentally responsible. Most of all, we believe improving anything means listening to those who know most about the subject — our clients.

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Academic Commons
University of Missouri at Kansas City



Learning Technology Center
Lorain County Community College

30 CAPITOL PLACE
SALT LAKE CITY, UTAH, 84123
801.261.1495

Richers
INCORPORATED

30 Capitol Place
Salt Lake City, Utah, USA

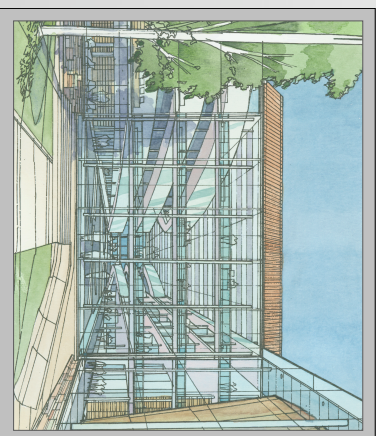
84123

T 801.261.1495

F 801.261.1496

E mail@richesinc.com

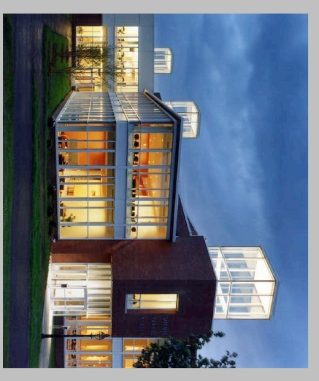
IMPROVING • INNOVATING • INSPIRING



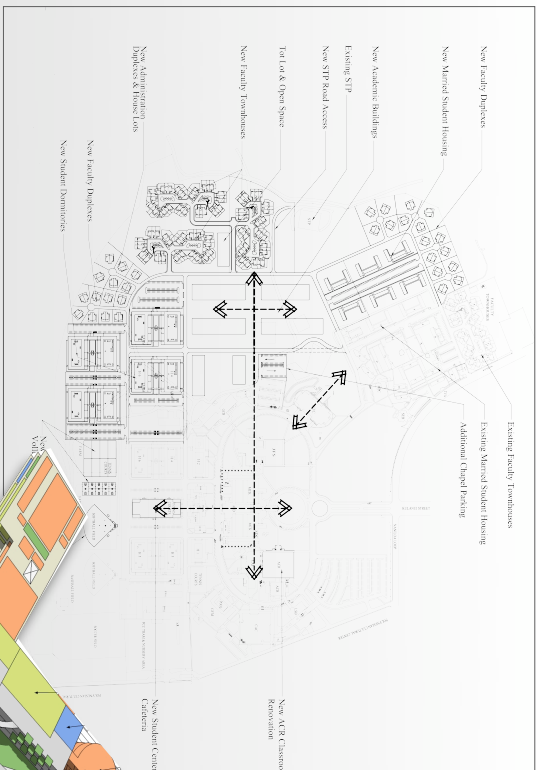
Tri-fold Mass Mailing Marketing Brochure- Side 2

OTHER PROJECTS

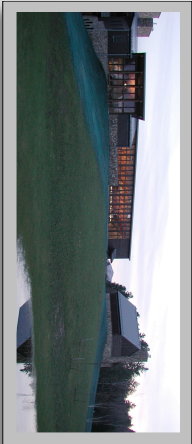
- Faculty Duplexes- Brigham Young University, Hawaii
- Aloha Center- Brigham Young University, Hawaii
- BYU TV Studio- Brigham Young University, Hawaii
- Learning Technology Center- Lorain County Community College, Ohio
- Four Dorms Renovations- Kamehameha Schools, Hawaii
- Doors, Windows, and Hardware Replacement- Kamehameha Schools, Hawaii
- Kekaulohi Dormitories- Kamehameha Schools, Hawaii
- Miller Nichols Library- University of Kansas, Kansas
- Athletic and Fitness Center- Grinnell College, Iowa
- Puuhala Homes- State of Hawaii, Hawaii
- Caltrol IV&S Warehouse- Caltrol, Hawaii
- Oahu Art Center- State of Hawaii, Hawaii
- Reroof Gymnasium- City of Waimanalo, Hawaii
- EMS Station- City of Wahiawa, Hawaii
- Hall Office Park- Hall Financial Group, Texas
- National Harbor- The Peterson Companies, Maryland



Library
Merrimack College- Massachusetts



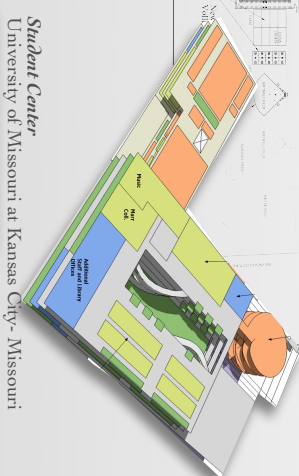
Master Plan Update
Brigham Young University- Hawaii



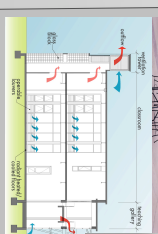
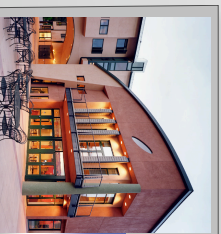
Adirondack Library
Paul Smith College- New York



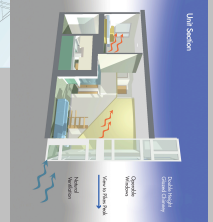
Alumni Center
Brigham Young University- Hawaii



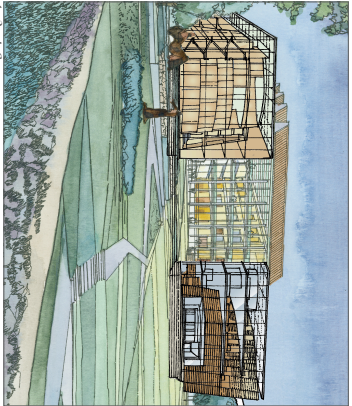
Student Center
University of Missouri at Kansas City- Missouri



Western Ridge Student Residences
Colorado College- Colorado



Electronic Marketing Brochure



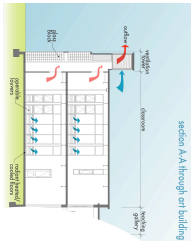
Academic Commons
University of Missouri at Kansas City- Missouri

OTHER PROJECTS

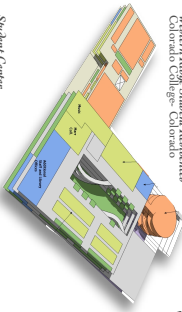
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- Oahu Art Center- State of Hawaii, Hawaii
- Reproof Gymnasium- City of Waimanalo, Hawaii
- EMS Station- City of Wahiawa, Hawaii
- Hall Office Park- Hall Financial Group, Texas
- National Harbor- The Peterson Companies, Maryland



Learning Technology Center
Lorain County Community College- Massachusetts



Western Ridge Student Residence
Western Ridge College- Colorado



Student Center
University of Missouri at Kansas City- Missouri



Western Ridge Student Residence
Western Ridge College- Colorado

Riches
INCORPORATED

30 Capitol Place

Salt Lake City, Utah, USA

84123

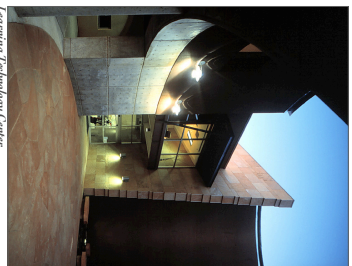
T 801.261.1495

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E mail@richesinc.com



Learning Technology Center
Lorain County Community College



Learning Technology Center
Lorain County Community College



Aloha Center
Brigham Young University- Hawaii



Albrook Library
Paul Smith College- New York

RICHS INCORPORATED is an architecture firm focused on government and educational facilities. Newly founded but broadly experienced, we are directing our attention toward smaller new, renovation, and remodel work. Our portfolio has extensive expertise in larger work and and showcases our skill-set in providing quality service and value. We base our ambition and commitment to our three-fold mission: improve, innovate, and inspire by design.

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Specific Project Type/Past Experience Proposal



30 Capitol Place
Salt Lake City, Utah, USA
84123
T 801.261.1495
F 801.261.1496
E mail@richesinc.com



RICHES INCORPORATED is an architecture firm focused on government and educational facilities. Newly founded but broadly experienced, we are directing our attention toward smaller new, renovation, and remodel work. Our portfolio shows our extensive expertise in larger work and showcases our skill-set in providing quality service and value. We base our ambition and commitment to our three-fold mission: improve, innovate, and inspire by design.

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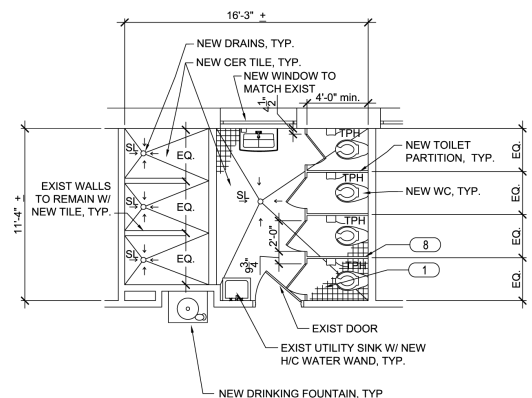
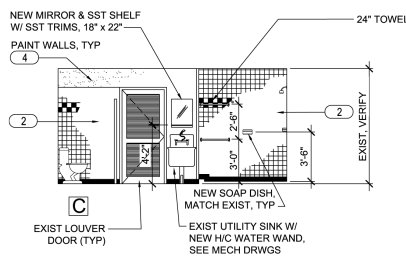
Kekauluohi **DORMITORY** is among several dormitories located at Kamehameha Schools Kapalama Campus in Honolulu, Hawaii. Since the school was established in 1887, many of the original buildings needed replacements, retrofits, and refinements to modernize and update the buildings to current codes, comfort, and functionality.

This particular dormitory housed high school students and was in use throughout the majority of the year. Design and construction was only allowed during a small window of time to see that the dormitory fully functioned when school was back in session.

The scope of work consisted of a complete renovation in all bathrooms. Lighting was also to be replaced in the hallways and student rooms. New exterior waterproofing was also provided.

Cost: \$725,657

Date of Completion: June 2004





The Four **DORMITORIES** Renovation at Kamehameha Schools Kapalama Campus consisted of buildings Kapuaiwa, Iolani, Liholiho, and Kaleiopapa. These dormitories serve high school students and this project was under the same rigid schedule as the previous Kekauluohi dormitory project.

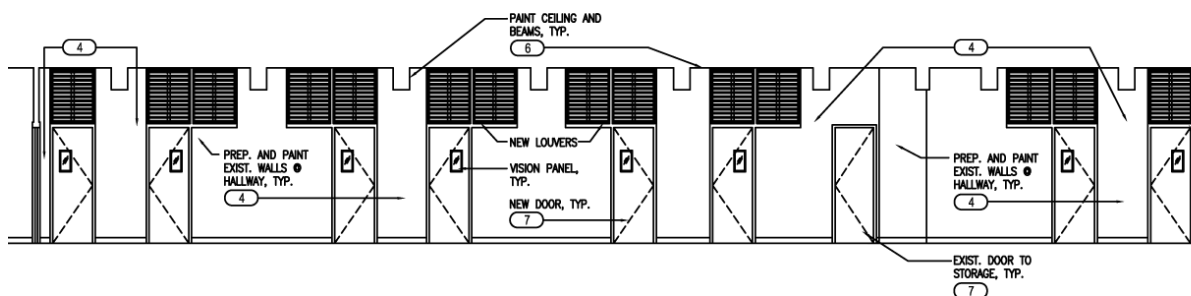
This project consisted of various repairs. Many of the doors needed their vision panels and hardware replaced. Other doors required complete replacement with reconstructing of their frames.

Inside individual rooms, new aluminum louvers and insect screens were replaced, and repainting and touch-up repairs were required.

Plumbing in the toilet and shower areas also needed replacement, and as a result the ceramic tile walls, wainscot, and floor were replaced.

Cost: \$1,795,813

Date of Completion: July 2006



Puahala Homes repair and renovation project was located in Honolulu Hawaii. It was created to help provide Hawai'i residents with affordable **HOUSING** and **SHELTER** without discrimination. The owner — Hawaii Public Housing Authority (formerly the Housing and Community Development Corporation of Hawaii) — is focused on developing affordable rental public housing and the efficient and fair delivery of housing services to the people of Hawai'i.



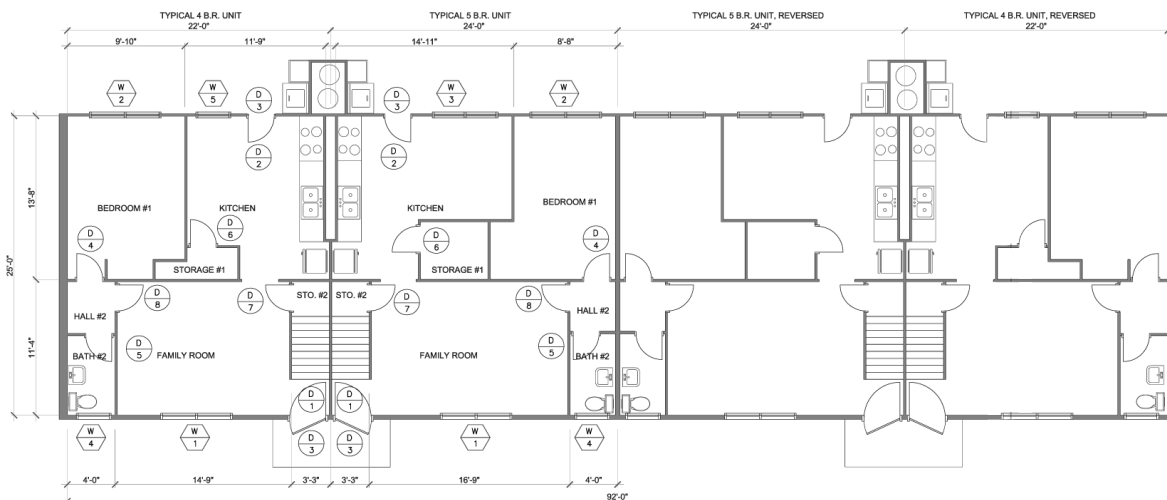
This project consisted of three buildings needing hazardous material abatement and remodel work. We provided design, building permit, and construction administration services.

This project had two tasks. One task was to dispose of any existing hazardous materials such as asbestos and lead. The other was to remodel the units including new paint, tile (flooring and wall), new electrical, and window replacements. The project took 10 months from conception to completion.



Cost: \$1,246,169

Date of Completion: September 2007





Key Personnel Résumés

B. Todd Riches, AIA, NCARB, LEED AP

Principal/Founder

Principal and founder of Riches Incorporated, Dr. Riches has practiced architecture in many states and on a variety of projects in government (state and federal), education, healthcare, and residential. He has practiced mainly in the states of Hawai'i and Utah, but has also worked in other jurisdictions including Massachusetts and Texas. His experience is in both new and renovation work and has led many projects for clients such as Brigham Young University in Hawai'i and Kamehameha Schools.

Dr. Riches has always felt a responsibility to the environment. He has had experience in Leadership in Energy and Environmental Design (LEED) certified projects such as the Lorain County Community College Technology Center in Ohio (LEED Certified). With his personal commitment combined with his experiences to sustainable design, Dr. Riches has been an educator, advocate, and resource for the firm and its clients to increase awareness and a desire to implement sustainability both in project work and its own practice.

Dr. Riches has been involved in the not-for-profit Architects/Constructors/Engineers (A.C.E.) Mentor Program designed to build awareness in high school students towards future career possibilities in the construction industry. This is intended to give the students real-life, hands-on experiences in dealing with clients, architecture firms, construction companies, and engineering firms.

Professional Experience

1 Year with Riches Incorporated

6 Years with other firms

Education

Doctor of Architecture, 2008, University of Hawai'i in Mānoa

Architectural Registrations & Other Certifications

2009/Colorado

2008/Utah

2008/Construction Documents Technologist (Construction Specifications Institute)

2006/LEED Accredited AP

2008/NCARB Certified Architect



Past & Current Clients

Brigham Young University
Lorain County Community College
Kamehameha Schools
University of Kansas
State of Hawaii
Caltrol
City of Waimanalo
City of Wahiawa
Hall Financial Group
The Peterson Companies
Merrimack College
Housing and Community Development Corporation of Hawaii (HCDCH)
Grinnell College
University of Hawaii

Riches Incorporated's Technology

Riches Incorporated takes great care and interest in the change of technology. Not always, but a great deal of the time, technology improves the way we live and we believe we are proponents of a better lifestyle.

Our office currently uses CAD software to design quickly and accurately to make efficient use of our time and the client's money. AutoCAD 2006 is our choice of CAD software mainly for the convenience of communication between our standards and those of our consultants'. We are beginning to use a new technology however, Building Information Modeling (BIM). This software allows integration of modeling techniques, schematic design, and 2D construction drawing capabilities and uses a database to create more accurate drawings, schedules, legends, and even cost estimations. Our preferred BIM software is AutoDesk Revit. We use this software in addition to the sister rendering software 3D Max to help visualize the project.

Other technology is used to help us communicate between clients, consultants, and even those within our own office. Every employee has their own individual email that can be used for quick questions and answers, sending/receiving drawings, schedules, meeting minutes, etc. Also, for larger projects, or projects considered confidential, we have a safe FTP site used to park drawings/documents for our client's retrieval for current project standings and updates as it progresses.

PART 2

I. The Concern

Problems in Academe

As I near the completion of a post graduate degree, I often reflect on the steps I took in getting here. I began at a technical school in Utah where I was taught mainly Computer Aided Design (CAD) related skills, preparatory to beginning work immediately upon completion of the program. I decided to continue my education and transferred to a university where I took design-related courses and soon transferred to the University of Hawai'i where the objective was to delve into more practical course work suited to my architectural career. The course of study included structures, technical documentation, building materials and assemblies, life safety, building service systems, building envelope systems, building system integration, etc. Though the business side of architecture was not addressed in depth, I realized that there would be exposure to it during either internships or the profession itself. Remaining focused, I achieved the university's required student performance criterion, which related mainly to design, but still felt unfulfilled in my desire to learn the basics of a firm's business structure.

Areas in which universities can greatly serve business and industry, as well as their graduates, would be to increase the practical business skills being taught, along with a thorough teaching of project development and execution. In a survey taken by National Council of Architectural Registration Boards (NCARB), approximately 10,000 respondents both licensed and non-licensed indicated that 17 knowledge/skills were acquired after licensure.⁴ These areas are:

1. Project financing and funding
2. Project budget management
3. Construction conflict resolution
4. Legal and ethical issues pertaining to contracts
5. Legal and ethical issues pertaining to practice
6. Business planning
7. Strategic planning
8. Financial management
9. Risk Management
10. Marketing and communications
11. Human resources management
12. IDP mentoring and supervising
13. Contract negotiation
14. Invoicing for services
15. Entrepreneurship
16. Mentoring-teaching others
17. Supervising

⁴ NCARB, *2007 Practice Analysis of Architecture* (Washington D.C: NCARB, 2007), 12-13

In addition, a question was asked, “What additional professional development (including training and experience) could you use to improve your performance in the field of architecture?” The most common answer (10% higher than the next closest comment) was the “Business Side of Architecture/Construction Administration.” Architecture students look at their educational experience with the anticipation that they will emerge as a properly educated, able employee upon graduation. As a part of this process and requirement for schools of architecture, students complete criteria that is in good part dictated by the National Architecture Accrediting Board (NAAB).

The NAAB is the only agency recognized by registration boards in the United States to accredit professional degree programs in architecture. Among the requirements for a school of architecture to become accredited is the compliance with thirteen conditions of accreditation. One condition listed is the Student Performance Criterion. Making up the list of criteria are various areas in which students must have certain understandings and abilities. Of the total 34 areas, only six are dedicated strictly to the understanding of the basic business principles of the practice (see Figure 1). In addition to those business principles, the universities are encouraged to employ unique learning techniques to satisfy the criteria. Within this framework, universities are at liberty to develop individualized, rather than standardized, innovative methods of learning, most of which are design related.⁵

An argument for the universities might be that much of their criterion is knowledge based, not skills taught. James A. Franklin, author of *Architect's Professional Practice Manual*, found that practitioners complain that many of the core competencies are not taught in school. When asking architects to list today's core competencies they reply with skill sets such as Computer Aided Design (CAD) proficiency, ability to work in teams, and communicate, among others. Franklin goes on to say, “The extent to which such allegations are true probably results from two things:

1. Rather than knowledge-based information, these are skills that probably, as Schön[§] said about design, can be learned but not taught. With the exception of the design studio, few opportunities exist in most college classes to learn by doing. Virtually no opportunities exist for teams learning by doing.
2. The paradigm for architectural education in general, and design studio education in particular, remains based on a Howard Roark⁶ model of the lone individual

⁵ The National Architecture Accreditation Board, “NAAB Conditions for Accreditation- 2004 Edition”, http://www.naab.org/usr_doc/2004_CONDITIONS.pdf (accessed 2007).

[§] Donald Schön, *The Reflective Practitioner* (New York: Basic Books, 1983).

⁶ Ayn Rand, *The Fountain Head* (New York: Signet, 1993).

heroically assimilating knowledge and demonstrating competencies. Early on, we've all played the protagonist in the same Gary Cooper movie.”⁷

Figure 1. 34 Levels of Required Student Performance Criterion as Identified by the National Architecture Accrediting Board

<u>Other Related Topics</u>	1. Speaking and Writing Skills
	2. Critical Thinking Skills
	3. Graphic Skills
	4. Research Skills
	5. Formal Ordering Systems
	6. Fundamental Design Skills
	7. Collaborative Skills
	8. Western Traditions
	9. Non-Western Traditions
	10. National and Regional Traditions
	11. Use of Precedents
	12. Human Behavior
	13. Human Diversity
	14. Accessibility
	15. Sustainable Design
	16. Program Preparation
	17. Site Conditions
	18. Structural Systems
	19. Environmental Systems
	20. Life Safety
	21. Building Envelope Systems
	22. Building Service Systems
	23. Building Systems Integration
	24. Building Materials and Assemblies
	25. Construction Cost Control
	26. Technical Documentation
	27. Client Role in Architecture
	28. Comprehensive Design
<u>Business Related Topics</u>	29. Architect's Administrative Roles
	30. Architectural Practice
	31. Professional Development
	32. Leadership
	33. Legal Responsibilities
	34. Ethics and Professional Judgement

⁷ Gary Cooper, “The Fountainhead,” Movie (1947).

The operative basis for higher education remains, “Know the truth and the truth shall set you free.”⁸ The prevailing idea seems to be that ingested knowledge will lead to greater awareness and understanding leading to modifications in attitudes and behaviors.⁹

“The profession as art and as enterprise is not a happy coexistence,” Dana Cuff stated in an excerpt from her book *Architecture: The Story of Practice*. She goes on to share a comment arising from an interview with an accountant, “Of course there’s a business side to architecture — even though a lot of architects try to keep it low profile. Look, even in our little office, half a million dollars pass through each year. If we weren’t good at business, we’d be up a creek!”

The mission statement of a firm for which I had a chance to work says, “We are in the business of architecture ... we listen, innovate, and deliver.”¹⁰ The student and the profession would benefit if attention were focused in school on design with regard for cost, client pressures, rudimentary presentation skills, or even improved writing abilities. The teachings concentrate on interpretations of problems, imaginative solutions, and intuitive outcomes. Cuff continues to expose this idea that: “Many instructors do intimate that the dilemma exists in their private practices, so students are at least exposed to the idea ... the pragmatic business component of architecture should be equally difficult to ignore. Nevertheless, in school, design continues to win out, according to professional theory, design and business are integrated; in practice, they are in constant battle.”¹¹ There is evidence of this in the current survey given to the University of Hawai‘i School of Architecture (UHSoA) students. In the earlier years of the program, students felt that being taught business principles wasn’t an issue. As they progressed through the program however, the students felt the areas of business had been neglected (see Figure 2). A survey given by NCARB (Practice Analysis of Architecture), asked practicing architects how well architecture education prepares the interns to become architects. The largest percentage of the responders voted the schools as “Adequate,” not “Very well,” “Well,” “Poorly,” or “Very Poorly.” This leaves room for improvement. In addition to this, the survey I did at the UHSoA revealed a few students who have confidence that they will still be taught the necessary business principles as listed in the NAAB criteria in the future of their education ... very few.

⁸ King James Version: *The Holy Bible*, “St. John 8:32” (Salt Lake City: The Church of Jesus Christ of Latter-day Saints, 1979), 1341.

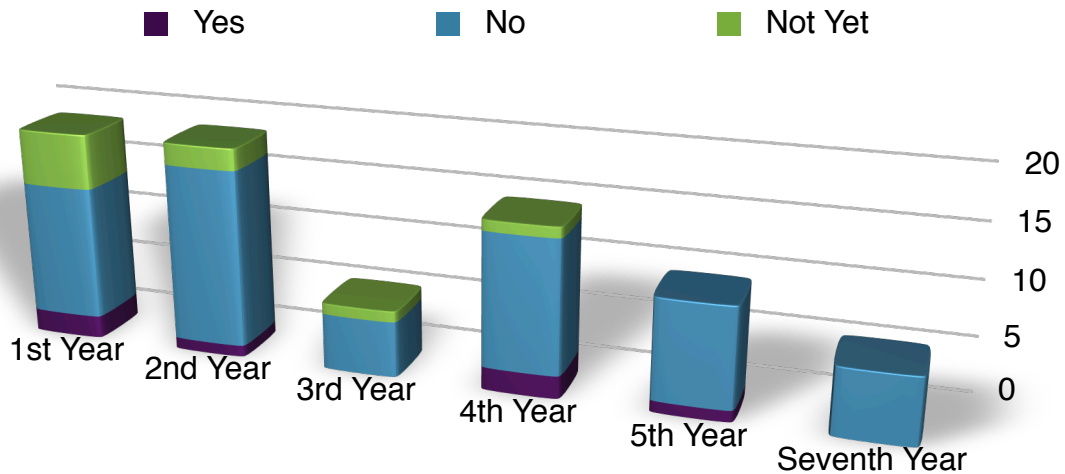
⁹ James R. Franklin, *Architect’s Professional Practice Manual* (New York: McGraw-Hill, 2000).

¹⁰ Ron Skaggs (Executive Committee Chair, HKS), in discussion with the author, January 2006.

¹¹ Dana Cuff, *Architecture: The Story Of Practice* (London: The MIT Press, 1995).

Figure 2. Question: Do You Think Sufficient Information has Been Taught in School about Starting and Running a Design Firm?

*Sixth Year is currently on Practicum



The Student's Perspective of the Profession

A student starts the trek to the profession through an interminable sequence of precursor courses to the program (calculus, physics, chemistry, etc.) either at a local community college or university. Some would argue that the initiation to becoming an architect begins in younger years as one's future aspiration; however, technically, the beaten path begins at the universities. Then the student, upon satisfying the requirements of an architecture school's entrance, is accepted to undergo another 5 to 10 years of course work and design studios. Here is where many students decide whether or not architecture is still in their future. It is common for some of these students to discontinue architecture school yet remain in the industry, but according to regulations will not be permitted to become a licensed architect. In most jurisdictions, having an accredited degree is needed before taking the exam. For those who decide to stay, some will find intern jobs and begin to perceive the profession in the business setting.

The prime opportunity for students to begin to formulate an idea of the business side of their chosen profession is during their university experience. The schools of architecture can foster an accurate image of the profession in the students' eyes and minds. As discussed previously, most schools emphasize studies in the design arena. However, because of the vast opportunities in the architectural profession, the strong focus in design technique detaches itself from other practical areas of the profession in which students may be interested.

By graduation, either the student has already acquired a job in the profession or begins to look for one. In either instance, the student may lack a well-rounded educational experience in all fields and have almost no practical knowledge of business management. My experiences and studies have shown that firms prefer to hire an experienced graduate, yet graduates may not be entrusted with the area in which they are best practiced (design).

The culture of individual firms is another area which may create hardship for the student out of college and make entrance into the profession difficult. When the student is initiated into the firm, there is a learning curve to be ascended until the employee adapts to the culture. How soon the student can evolve may impact where he or she is placed, and what responsibilities are assigned. However, these ideas, although seemingly realistic, are not weighing on the student's mind during this transition. When working as a new employee of a firm, friction usually finds its way between a personal preference and the office culture; whether it is how the office is organized, design is conceived, politics are played, or even the dress code. This is a common occurrence in any firm because every firm is different, no matter how experienced or inexperienced the employee may be. Yet, over time as the student is immersed in the culture of the firm, the understanding of why things are done influences change, ultimately creating culture conversion.

Experience is key to success. With the many branches of study architects are expected to know, leaving school with little to no experience is expected. However, starting a firm without any experience is detrimental. Architects are hired as professionals providing a service, not a product, with concern for public safety. Intentions should be to have as much knowledge of the business as possible. This is one of the main areas I believe needs to be addressed in order for the student to be autonomous.

The most broadly accepted source of experience today is the Intern Development Program (IDP). This program is organized precisely for the reasons stated. It exposes the student to experiences in all of the core competencies that are required in the profession and is expected for intern graduates. The IDP requires documentation reflecting the activities of the intern, along with the close involvement of a mentor. Each area of the firm's organization and operations are encountered by the student, allowing extensive opportunities for a real world work perspective. The IDP is defined in this way: "The shift from school to office is not a transition from theory to pragmatism. It is a period when theory merges with pragmatism."¹² As a great tool for transition, the IDP should be greatly expanded, thus more experience is acquired.

¹² AIA, *The Architect's Handbook of Professional Practice* (New York: John Wiley & Sons, 2002). XXV

The results of my survey of the architecture students at the University of Hawai‘i, gives an overview of the students’ desires in starting a firm post graduation (see Figure 3). This information is important in relation to what the students feel they are being taught or to what knowledge the students feel they are lacking.

Figure 3. Students Planning on Starting a Design Firm

- Plan To Start a Design Firm
- Do Not Plan To Start a Design Firm
- Do Not Know

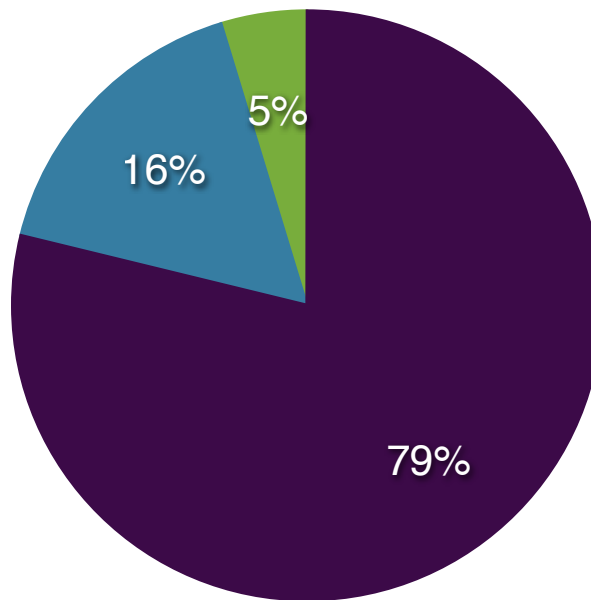


Figure 4. Student's Timetable of Starting Their Own Firm

- 1-3 Years
- 4-6 Years
- 7-10 Years
- 10 or More Years
- Unsure

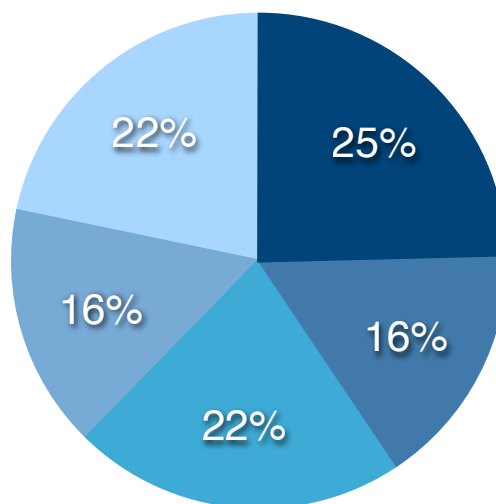


Figure 3 shows that approximately 80% of the students wish, at some point in their career, to start their own design firm. This percentage mirrors the overall growth rate of starting firms in the profession. One third of all firms were formed in the last ten years and approximately half of those were established within the last five years.¹³ Figure 4 gives an overview of the students' projected time frame of when they plan to start their own design firm. Although the percentages are pretty even, this can possibly indicate the level of knowledge and capability the students feel they will attain.

Other questions were raised during the student survey regarding the information he or she felt was needed for greater emphasis in terms of the business. Figure 5 is a list of the top 10 most common concerns in this case.

Figure 5. Top 10 Topics Students Feel School Is Lacking

1. The business side of the firm
2. Helping students visualize the real world profession
3. Realizing the steps in starting a design firm
4. Explaining client interaction
5. Practical experience
6. How to market your ideas
7. Approaching the business topics earlier on in school
8. Explaining proper documentation, building materials, budgeting
9. Internship
10. Leadership roles

This list shows the areas that the students feel they are not learning from the school relative to the business aspects of the profession. This list can also be viewed as the areas the students feel they know the least about. The following list in Figure 6 shows the top 10 questions students have regarding starting a firm.

Figure 6. List of Top 10 Questions Students Asked Regarding Starting a Firm

1. What does it take to start a design firm?
2. How much is the cost of a startup?
3. How do you market your firm?
4. How do firms succeed?
5. What are the legal issues?

¹³ *The Business of Architecture*. (2006). Washington, D.C: The American Institute of Architects

6. What are the long-term benefits?
7. What is the biggest obstacle in starting a design firm besides financial issues?
8. What are the options if we are not a licensed architect?
9. What kind of insurance is needed?
10. How much knowledge/experience is needed?

Besides the academic and cultural challenges during the transition from school to the profession, the students also experience personal challenges in competency. The responses above indicate that students from various years have similar unanswered questions, even at the end of their time in the school. Certain timidity results that is natural when facing the unknown. Architecture is such a broad-knowledge profession that pinning down simple solutions to these questions may seem nearly impossible. Firm culture, licensure, experience, and business savvy loom as large obstacles to starting a firm immediately after graduation. Familiarity in each of these areas is requisite to entering the profession. Graduating from an accredited school is only the beginning.

Trouble in Transition

It would appear that there are two sides from which to perceive the transition between academia and profession; the study of the student's perspective on the profession, and the study of the professional's view of the student. Looking at both of these views we begin to define the "no-man's-land" of the transition.

The Professional's Perception of the Graduate

I can still remember one internship vividly. My first day I was expected to meet my mentor, who was acting as the head of the architecture department at a multi-disciplined firm. I was well into my education and had several years of prior experience and knew I would be a great asset to the office. During our meeting, the affable gentleman proceeded to show me the office and where I would be stationed. I came to find that I would be placed in the back computer lab (which resembled nothing more than a stuffy oversized closet) where I would work until someone from any team needed me to construct models for their projects. This internship lasted for six months, I concluded that I would be better utilized somewhere else.

Looking back, I can see that my learning crimp was perhaps my own fault. From the beginning I sought experience; my mentor sought cheap labor. This is one of the potential hardships as an intern; confinement to being a low paid, easily replaceable commodity. As an intern it can be difficult to gain viable, applicable experience when one is merely a young employee with little previous experience.

To the professional, two of the biggest determining factors for hiring an intern are previous experience and portfolio. Gratefully, students have years under the belt in theoretical design concepts. Although portfolio design is not a subject taught at most schools of architecture, they do however make it a point for students to compile one or more during the program. Drawings, models, and presentation skills, are all ways of communicating our interests to the firms. Along with the submission of portfolios are interviews. During my research, most professionals base hiring an intern on presence and portfolio (sometimes a reference check). Because these two areas are generally limited, they present themselves as being the only way for the professionals to base their decision. That is why to the professional, it stands as logical that interns earn low wages and start from the bottom. It makes no sense for the professional to hire inexperienced interns at a higher wage and give them high responsibility.

Because of these perceptions from both the student and professional architect an uncommon ground is formed. This has been the case since architecture firms began. In fact, before employee compensation laws, the process of transition had been worse as some architectural interns worked as apprentices for no wages, sometimes they would even pay for the experience. Today, that act is considered illegal according to the U.S. Labor Laws; more on this will be covered later in the section “A Successful Organization-Five Important Issues.” To point out the positive, the process of transition is getting better. The heavier requirements of education and experience weed out the undedicated and provides more demand for future architects. Schools are beginning to see an importance of integrating internship and study abroad opportunities for students. However, there is still much to improve.

Lacking Leadership

Many dissertations have been written on the subject of leadership. Nonetheless, it is my intention to express the importance of leadership qualities before starting a design firm. Although this is a brief explanation on leadership, these steps provide a foundation on how to become a leader in the profession.

A leader, as defined by the everyday Webster Dictionary, is someone having a commanding authority or influence.¹⁴ However, researching the topic leads to a far more in-depth definition. One of my previous mentors currently serves as an influential leader at an internationally renowned firm. In a one-to-one discussion about leadership, he told me, “... a leader should inspire people to aspire.” Leadership is about self-motivation, vision, passion, and influence. It also requires strength in several areas, such as the organization’s technical, political, and cultural systems.

¹⁴ Merriam Webster Online, “definition of Leader”, <http://www.mw.com/dictionary/leader> (accessed September, 2007).

Franklin's statements conclude that if behaviors and attitudes become habit, the result will be an increased awareness even to the point of wisdom. A leader is someone who inspires others by their example. Lewis H. Lapham explained it like this, "Leadership consists not in degrees of technique but in traits of character; it requires moral rather than athletic or intellectual effort, and it imposes on both leader and follower alike the burdens of self-restraint." Is this not the goal we all should aspire to attain? Leadership then becomes an essential assignment for every student to perpetuate throughout his or her profession, starting in school.

In a charette hosted by the University of Hawai'i School of Architecture (UHSoA), I was teamed up with a group of four students. Each team was notified a week in advance to give them time to prepare for introductions and other information that could be important, key issues (individual talents, assignments, building a simple culture, etc.). Each student was to represent a different year of academic progression. Most teams waited until the day of the challenge to meet. The time allotment was an hour to complete the project. Many of the teams around us began to assimilate tasks to divide and conquer, they were well on their way. Our team had yet to fully assemble. After fifteen minutes, we finally assembled, we began reading the problem statement. Another ten minutes flew by as we brainstormed for ideas and solutions. Because no one took the initiative (including myself), time wore thin and we were left with not much more than a brief concept. Leaders are ones who take the initiative and influence others to follow. In my example, no one assumed the position and as a result, we failed in our task. Not to excuse anyone's lack of leadership skills but, as students, we were never taught to perform in such a situation.

As part of the school's criteria, students have not been formally taught about becoming a leader. As students we have the opportunity to watch it, critique it, and are required at times to write about it as a precedence; but students never actually learn how to become leaders. There are places to learn leadership through volunteer opportunities and programs such as the AIAS. However, because of the many topics required to be taught in architecture schools, leadership is placed as a filler, with not much priority. Some views can be taken that most likely this process is actuated in the field and left to the "natural leaders," but I believe leadership can be learned and developed.

In the profession, leadership becomes apparent in communication, mentoring, associations, and experience. True leaders will teach others methods of becoming leaders themselves. I have had only one firm I worked with value leadership training within the office on a tangible level. Though leadership (great or poor) is visible on different levels in various firms it becomes an issue similar to the culture of the firm. In time, those within the firm will absorb some of the leadership characteristics; again either great or poor. All firms should take this as one of their visions, to create

leadership within the firm. Larger firms tend to focus more on the leadership training as a way to perpetuate success within the firm. Small firms tend to have one or two leading architects, but with the desire to stay small the current leaders forgo the leadership training as there is little promotion. Leadership training in smaller firms is not as apparent on the surface as in large firms, nonetheless, they do teach by example whether intentional or not.

In the Handbook for Developing Leaders section of Noel M. Tichy's "The Leadership Engine," there is a list of building blocks that one can take in learning to become a leader. Seven ideas were given and provide a profound progression towards leadership:

1. Learn from experience;
2. Develop teachable points of view about both how to build and run a business and how to develop other leaders;
3. Generate sound ideas for how the business will add value and succeed in the marketplace;
4. Instill values that help the organization reach its goals;
5. Create positive emotional energy;
6. Make tough decisions; and
7. Pull all the other elements together into vibrant stories that motivate others to reach for a better future.¹⁵

II. Possibilities of Starting a Design Firm

Firm Profiles

This section investigates current information regarding firm startup. The information in this section has been largely extracted from the extremely useful American Institute of Architects compiled Firm Survey Data (2006).¹⁶ This is a resource issued periodically to help rate performance by comparing peers and competitors. It can be helpful to look at existing firm profiles, billings, services, marketing, fees and profitability, technology, and liabilities. Determining the profile of your own firm and knowledge of current trends can act as an outline to base certain goals on a rational level.

It would be natural to think that starting a firm today is more difficult than in the past. Starting a career in an already established firm usually eases the burden of responsibility that comes from owning your own firm. Thus, many graduates find

¹⁵ Noel M. Tichy, *The Leadership Engine* (New York: HarperCollins, 2002).

¹⁶ AIA, *The Business of Architecture* (Washington D.C: The American Institute of Architects, 2006).

resolution in working at an established firm. However, recent evidence shows that starting a firm is not necessarily any more difficult now than it was in the past. One-third of all firms were formed in the last 10 years and about one-half of those firms were established within the last five years. Evaluating the profile of firms in the United States and the economy's current and past strengths, show the number of newly established firms increasing. More than 17 percent of firms were formed since 2000 and 33 percent since 1995. Half of all firms were formed since 1990. Only 12 percent of existing firms were founded prior to 1970. Figure 7 shows new firms in relation to the number of employees.

Other helpful information regarding all existing firms is that most firms (51%) serve a metro area in a single state (see Figure 8). Also, the majority of the firms have a single office. This is obviously the case with all sole practitioners, but 96% of firms with two to four employees and 92% of firms with five to nine employees only have a single office. Most of the numbers so far indicate that there has not been much interest in small firms doing business on a national basis or in foreign countries. This could be because most firms find work within their own communities and never look beyond that to other possibilities. Nonetheless, there are opportunities to find national and international work through different associations such as school, clubs, institutions, etc. This could be the case especially in the Asia Pacific focused relationships through the UHSoA (charettes, competitions, study abroad opportunities, practicums, etc.).

Figure 7. One-Third of All Firms were Formed in the Last 10 Years

NUMBER OF EMPLOYEES

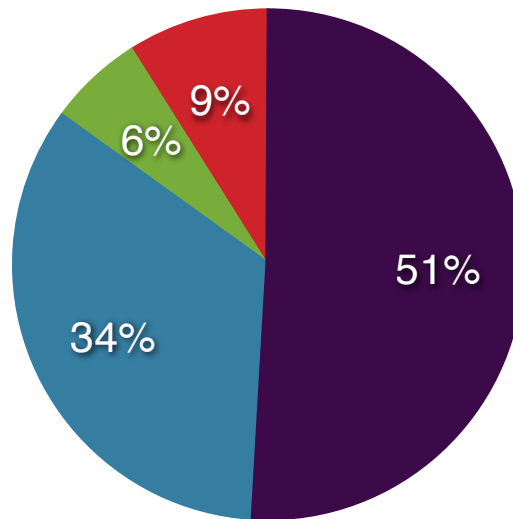
Year of Formation	All Firms	1	2-4	5-9	10-19	20-49	50-99	100+
1940-1949	4	1	1	3	5	11	17	40
1950-1959	3	1	1	3	5	9	10	9
1960-1969	5	5	4	5	7	12	10	15
1970-1979	13	10	12	15	16	17	25	13
1980-1984	11	8	11	12	12	14	10	6
1985-1989	15	14	14	17	17	12	10	9
1990-1994	17	17	19	16	17	10	5	4
1995-1999	16	19	16	16	14	8	5	4
2000 or later	17	24	21	13	7	7	8	-

Note: Numbers extracted from the AIA-Business of Architecture publishing, 2006.

Note: Chart represented in % of firms.

Figure 8. Most Firms Serve a Local or Regional Client Base (% of Firms)

- Metro Area/Single State
- Multistate, regional, or multiregional
- National
- International



Note: Percentages extracted from the AIA-Business of Architecture publishing, 2006.

Smaller firms rely heavily on consulting and part-time staff. Ninety-five percent of all firms utilize consulting engineering services for their projects. Outsourcing is more directly related to knowledge, skill, and experience. About 50% of the firms with one to four employees consult landscape architects (probably due to landscape architecture being a separate licensed discipline in many states) and the use of interior design consultants increased an average 7% across all firms as they were more likely to outsource rather than hire these positions in-house. Other professional disciplines were outsourced equally at approximately 32% of firms. Smaller firms tend to require more flexible work resulting in hiring temporary employees. Ten percent of firms with fewer than 10 employees reported that part-time employees comprise one-half their overall staff. When starting a firm, having as little overhead as possible should be an important goal to maintain.

Services

In 2005, the total construction value of projects where architects served as “architect of record” approached \$360 billion. Fees accounted for approximately 8% of that total. Of these fees, were institutional (49.4%), residential (17.7%), and commercial (27.4%). In these categories, the dominant projects were educational (18.8%), healthcare (14.3%), multi-family (10.7%), and office (11.7%). The design-bid-build project delivery method remains the number one method making up nearly 60% of annual billings. However, this method is declining while construction management is

growing, accounting for 14% of annual billings. The leading firms' clients are state and local governments, developers/construction companies, and business/commercial/industrial companies. Private individuals only makeup 14% of all billings. While residential construction grew during the last couple of years, small firms focused on existing rehabilitation projects and large firms focused on new construction.

Basic design services had the most revenue growth. These services are considered still to be the most profitable. Other service types include: planning and predesign, expanded design, non-architectural design, construction, operations and maintenance, and other services. Studies show that the construction and planning services are the most unprofitable.

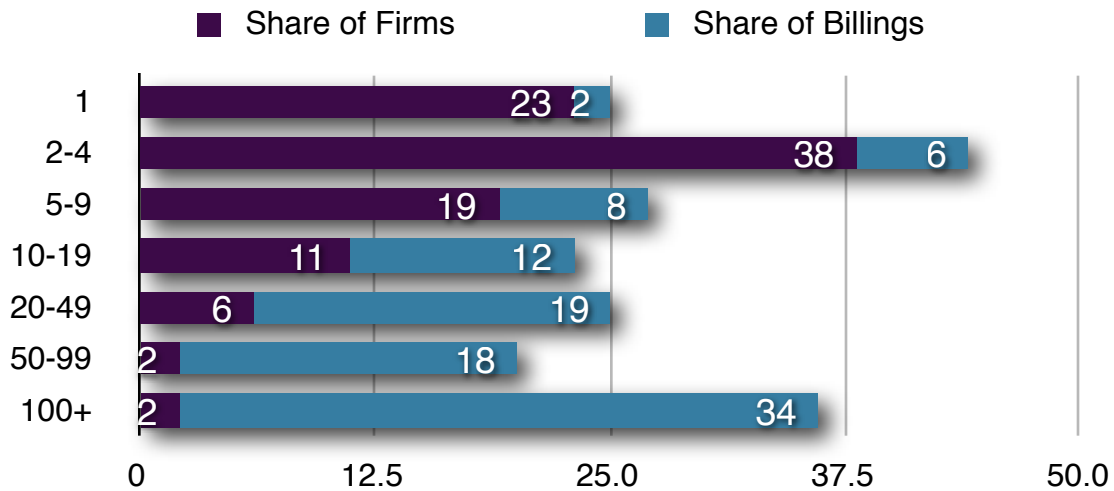
Billings

In regards to annual billings, there has been an 11% growth over a three-year period (2002-2005). Of all the firms, 23% are sole practitioners and generate 2% of the over-all billings. Large firms with 100 or more employees constitute 2% of the over-all firms, but generate 34% of the total billings (see Figure 9).

Pass-throughs have been a constant over the last several surveys. A pass-through is the portion of annual billings that is "passed-through" to the consultants. Small firms and large firms tend to have smaller pass-throughs than medium firms. The reason for this is because the smaller firms generally work with projects not requiring many, if any consultants. The larger firms most often have in-house disciplines that execute work for their projects that might otherwise be outsourced. Small firms generate a 22% pass-through while large firms with more than one hundred employees generate results in a 27% pass-through.

Figure 9, compares the percentage of the firms' share to the percentage of billings. The share of firms compared to share of billings is how much of the total amount of annual billings individual categories of firms receive. To give an example of this, firms with a sole practitioner make up 23% of all the existing firms in the U.S., but out of the total amount all firms have billed annually, sole practitioners only received 2%. On the other hand, if you look at firms with 100 or more employees, they make up only 2% of all the existing firms in the U.S., however, they grossed 34% of the total billings that all firms made in the year 2006.

Figure 9. Average Percentage of Billings and Percentage of firms.



Note: Information was taken from *The Business of Architecture*.

Motivations

It is impossible to capture every individual's motivation for starting a design firm. However, it would seem that the majority of attitudes and motivations can be influenced by one or more of these categories:

1. You'll be doing what you enjoy. Most students at some point in their academic career will long to someday own their own firm. People who are excited about what they do produce good results and tend to be the most successful.
2. You've identified a niche market. A couple of the conversations I held with owners of their own firms amplified the importance of having a niche in the market. In fact, they persuaded me to believe that it was their niche that brought their success in the profession. Here lies the challenge to see what no other firm sees, or provide a service no other firm can compete with.
3. You're not easily dissuaded. In this profession, perhaps more-so than others, we are hit head-on with great opposition. Critics abound with negative vibes targeting our most emotional nerves and the public/clients are not waiting for our services with bated breathe as much as we wished. The individual that succeeds in the profession does so by the three D's: drive, determination, and diligence.
4. You have an autonomous spirit. You have a desire to be unbound by the employer's chains. Some individuals have the innate hunger to make their own decisions and mistakes and learn as they go. They are architects beyond profession; they are architects of their own destiny.

5. You perceive failure as a learning experience. A successful firm founder can only have this kind of attitude as positive thinking denotes positive outcome. In *The Richest Man in Babylon* it gives evidence to this thinking; “... our actions can do no more than our thoughts; our thoughts, no more than our comprehension.” If an individual can make positive results from negative impacts, success will come more easily.
6. Owning your own firm has been a longtime dream; this is not for the feeble minded. Warning! If this resembles your only ambition for starting a firm, additional requisites should be looked at to safeguard your establishment from demise.
7. You have a passion for your service. Everyone has a uniqueness about them. From this uniqueness stems bold and original ideas. Somewhere in the profession “... if you don’t blow your own horn, someone else will use it as a spittoon.”¹⁷
8. You want to be 100% involved. Having the ability to participate fully in pre-design through construction.
9. There’s a direct relationship between hard work and rewards. Both professional accomplishments and financial compensation are more capable of being realized when you are not “ball-and-chained” by an employer.
10. Having the satisfaction of owning your own firm. Similar to accomplishing other difficult tasks in life, having your own firm brings many seen and unseen rewards.

An individual can have one or more of the above motivations for starting a design firm. Motivations are the itch to a beginning, what action is taken can ultimately hurt or ease the process.

There are other influences that might be labeled motivations. These are beyond the initial mind-sets defined above and can be found while preparing to start the firm. These additional motivations may be things like: current market trends, funding, current potential clients, lack of contending firms, need for your niche, etc. These motivations can in turn mean promising possibilities in starting a firm, but careful research and homework must be done to discern which ones are.

In my interviews, I questioned what motivated these architects to start a design firm. One architect began working for an already established firm. During his experience at the firm, he started a new area of expertise. In time, he felt he was under-compensated for bringing in all of the clients within his niche. Finally, he decided to start his own firm.

Another architect decided before he graduated that he had a niche the community needed. He and another student started their firm with the motivation that they had

¹⁷ Ken Blanchard, *The One Minute Manager* (New York: Harper Collins, 2003).

done their homework, knew the market, knew good design, and felt if they worked for an existing firm they would be under-compensated.

Another architect felt he had his place in a well-known firm who in turn compensated well for the work he did. The opportunity to start a firm came through a friend who had a contact with a large ranch needing services done. Being business minded and knowing he had a strength in the services being requested, he felt it was a good opportunity to start a firm even though he and his family just moved into a new home.

Through these experiences and others, there is no one single motivation that leads to starting a firm, nor is there a time-frame qualifying for the proper time to start a firm.

Women and Minorities

Being a minority might be considered a challenge in the profession today. However, every year the numbers increase and the playing field is becoming more and more flattened.

Women and minority influences have been growing steadily on an average of 1% since 1999. Although seemingly small, women make up 26% of all architecture staff, while minority staff has risen from 9% to 16% over the same time period. These growth rates have also reflected the growing rates of principals and partners. Women principals have quadrupled from 4% in 1999 to 16 percent in 2005. The number of licensed women has increased from 14% in 1999 to 20% in 2005.

Women are having an influence on firms of all sizes. Fourteen percent of sole practitioners are women, 31% of principals and partners at 2- to 4-person firms, 19% of principals and partners at 5- to 9- person firms, 12% of principals and partners at 10- to 19-person firms, 13% of principals and partners at 20- to 49-person firms, 3% of principals and partners at 50- to 99-person firms, and 8% of principals and partners at 100-plus-person firms are women.

Minorities are also increasing across the board. Seventeen percent of sole practitioners, 25% of principals and partners at 2- to 4-person firms, 18% of principals and partners at 5- to 9-person firms, 19% of principals and partners at 10- to 19-person firms, 11% of principals and partners at 20- to 49-person firms, 4% of principals and partners at 50- to 99-person firms, and 7% of principals and partners at 100-plus-person firms are minorities.

Having an idea of what opportunities lay ahead, you can strategize what direction you will take. Being a minority in today's profession isn't nearly as difficult as it was years ago. Visualize these numbers as open doors and take advantage of these equal opportunities to do something spectacular.

Schooling/Intern Development Program (IDP)*

The first step in obtaining a professional license in architecture is degree from a National Architectural Accrediting Board (NAAB) accredited school of architecture. This may seem a little too obvious knowing that if you're reading this, you may be in the middle of your schooling now. However, I have seen fit to include this because of the recent requirement of the professional degree. Many if not all state jurisdictions have indicated that this is their only or primary method for satisfying the board's educational requirement. Most new architects today will have undergone this path though there are other methods of obtaining licensure.

For a more in-depth view of the requirements you can view NCARB's education standard at www.ncarb.org/forms/educstand.pdf. Most students do not recognize less education as an alternative early in their career decisions. It had not occurred to me until late in my schooling. Not to say that I would have taken that route, but it would have been beneficial to have as a choice. In my research I directed my studies to certain jurisdictions that pertain to my personal interest and have created a chart that indicates which of the states will accept additional experience as an alternative means to satisfying the education requirement (see Figure 10). This is not intended to persuade but to inform that there are other avenues of becoming an architect. If you decide to pursue an alternative method, it would be wise to contact the licensing board of the jurisdiction in which you are interested to verify first its requirements. It is also important to note that while you can become licensed in several states without an accredited degree, other states may prohibit you from obtaining reciprocity requiring that you have a degree. This can limit your future working opportunities.

Figure 10. State Alternative Means to Education Requirement Satisfaction¹⁸

State	Education Requirement	Acceptable Experience
Utah	Will not accept alternative education	-
Hawaii	Four-year pre-professional degree	5 Years
	High School Diploma	11 Years

* Information on the IDP is current as of this research date. Significant updates are being made and requirements are subject to change.

¹⁸ NCARB, "Membership Board Requirements", <http://www.ncarb.org/stateboards/regboards2007.asp>? (accessed September, 2007)

State	Education Requirement	Acceptable Experience
	Community College or Technical College Degree	8 Years
Colorado	Four-year pre-professional degree	1170 Training Units
	High School Education	2350 Training Units
Washington	Four-year pre-professional degree	5 Years
	High School Education	8 Years

Note: Information gathered from the Official NCARB Website (September 2007).

Another essential element leading to architectural licensure that I found out late in my schooling was the IDP. I learned through work associates currently engaged in the program that the IDP was a preliminary step towards the Architect Registration Examination (ARE). When I had learned this, I quickly got on board and eventually began my recorded and required internship.

The IDP is supplement to formal education and becomes the pragmatical experience preparing the student for the ARE and the profession. This program consists of various competencies categorized in four major areas: design and construction documents, construction administration, management, and related activities (professional and community service). These areas are expected to be comprehended to reinforce formally applied knowledge. Some students try to find ways to escape completing some of the training unit areas. This is not advisable as you will be expected to know the training areas anyway for the ARE.

The best time to get started with the IDP process is at your first accepted education entry point. To find out when you can begin, you must first achieve one of the following:

1. Three years in an NAAB or Canadian Architectural Certification Board (CACB) accredited professional degree program.
2. The third year of a four-year pre-professional degree program in architecture accepted for direct entry to an NAAB or CACB accredited professional degree program;
3. One year in an NAAB or CACB-accredited Master of Architecture degree program for interns with undergraduate degrees in another discipline;

4. Ninety-six semester credit hours as evaluated by NAAB in accordance with NCARB's Education Requirement, of which no more than 60 hours can be in the general education subject area.

Note: For purposes of calculating years of education, 32 semester credit hours or 48 quarter credit hours shall equal one year in an academic program.¹⁹

Today, many of the student forms can be found online to indicate how many completed credits can be credited toward the above conditions. If you are still not sure, continue through the IDP process. NCARB will determine what experience will be, accepted or not, so you have nothing to lose. What is accepted is based on individual state requirements; some boards accept experience only after graduating from an accredited school, others will accept experience after graduating from high school. Many students wait until they complete the professional degree at an accredited school before beginning their IDP as a way to focus on academia. Others can find a way to do both school and the IDP simultaneously to “kill two birds with one stone,” and have your academic and work experience reinforce each other. I would recommend doing them at the same time — Who would want to start a three-year internship after finishing a professional degree? Nevertheless, it is up to you.

To complete the IDP the requirements are to record 700 units (1 unit = 8 hours) of your experience in the certain areas of training. The minimum allowed experience is at least 35 hours per week for a minimum period of eight consecutive weeks, or at least 20 hours per week for a minimum period of six consecutive months. This is why it is a good idea to start as soon as you can.

To begin the IDP process, you can go to <https://www.ncarb.org/RecordApp/recordsvc/login.aspx> and download an application to fill out and send with the application fees (currently \$268). There is also a download for the Intern Development Program (IDP) Guidelines and Handbook for Interns and Architects for reference purposes. They contain the rules and procedures associated with IDP and NCARB Certification. It is critical that you download and read these publications as they provide the necessary instructions to understand the program(s) and the related requirements. The fees required for the IDP's processing can be paid in part (currently \$100) if you enroll while a student or within 6 months after graduation and can later pay in full after completing the IDP process reports. In my experience, it took approximately two months before being notified that they had my records prepared and ready for my IDP progress. It is good to note that even though it may take months for NCARB to process your application, you can still begin your internship. Just make sure you keep track of all your hours and experience so you can submit it when you receive the go-

¹⁹ NCARB, “The IDP Process: Getting Started”, <http://www.ncarb.org/idp/gettingstarted.html> (accessed September, 2007).

ahead. There are many ways to track your training hours, but one of the best ways I found was to use NCARB's Excel spreadsheet downloadable from <http://ncarb.org/idp/idpworkbook.html>.²⁰

There are two other elements of the IDP that you need to acquire before beginning: a supervisor, and mentor. The supervisor must have a current license in the jurisdiction where they practice. They will need to sign your NCARB Employment Verification/IDP Training Unit Report forms. The supervisor needs to have, at the least, a general understanding of the IDP program. Make sure your supervisor is around and able to sign your forms. This has caused some difficulty in the past with busy supervisors. Also, make certain you keep up with your records. One experience an associate of mine had, was that she had moved to another firm and worked for several years. When she finally came around to sending her records in, her supervisor from the other firm had passed away. She had no way of getting her records signed and had to redo the training units. This may be an uncommon occurrence, however, it happens, and you don't want it to happen to you.

Your mentor must also be a licensed architect. However, he/she can be licensed in another jurisdiction. The mentor plays a larger role in that he/she meets with you periodically concerning your goals and ideals, reviews training progress, and discusses career objectives. My experience, as well as my associates' experiences have shown that the mentor and supervisor took on both roles. Both the mentor and supervisor have signed the Employment Verification forms. This doesn't need to be the case, and for the most part would be more beneficial if it were not the case; this is simply a personal choice. Another option, other than having the supervisor also perform the mentor's job, also having both the supervisor and mentor in-house, is to have the supervisor in-house and your mentor from another source.

The AIA Handbook of Professional Practice Student Manual gives a list of options for obtaining a mentor:

1. Ask a personal acquaintance (e.g., faculty member)
2. Ask an employer or fellow interns for recommendations
3. Contact the local AIA components-many AIA members volunteer to serve as mentors
4. Contact an individual state or local IDP coordinator (see AIA Resources at <http://www.ncarb.org/idp/resources.html>)

The IDP experience is created to enhance the abilities of interns and prepare them for the profession in a pragmatic way. This opportunity is a step in the right direction for

²⁰ NCARB, "IDP Training Unit Workbook Installation Instructions", <http://www.ncarb.org/idp/idpworkbook.html> (accessed September, 2007).

students entering the profession. Although not a panacea, this can open doors of information not normally open to students not pursuing the IDP. My recommendation is to choose from the vast number of firms that most interest you. Make sure the work they allow you to execute is exciting, don't let them just assign you full-time to the bathroom details. Although important, this will not develop leadership skills needed for your own firm. If you have any questions, ask. More times than not, if someone knows something well, they will want to let others know, so take advantage of this by acting as a sponge. You are in your learning period. It is said that the ages of questioning are before thirty years. From the ages of thirty to forty you are allowed to make mistakes — but learn from them. Anytime thereafter you are the one everyone comes to for answers to their questions. If you don't ask now, it will be a very embarrassing education later. My last advice on the IDP, if you take full advantage of it now, you will have a good idea of how the firms are organized and operated.

Architect Registration Examination (ARE)

I don't know why, but there seems to be an unclear communication during school about the process of becoming a licensed architect. After realizing the requirements for the IDP — if that isn't tricky enough — you'll find there is some preparation for the licensing examination that needs to be covered. Once you finish your IDP, you need to notify NCARB to send your record to the state board for their review according to the state's requirements in preparation for the exam.

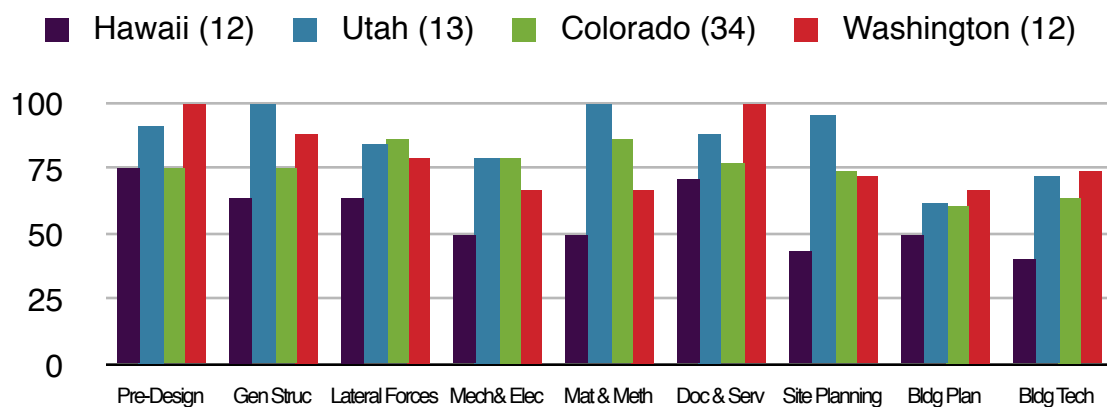
After completing the IDP experience, there is an application to be filled out and given to the state board. The application contains all that needs to be sent in for approval to take the exam. It is recommended that this be reviewed one year in advance of the exam. The reason is that each state has different requirements and may have additional requirements that need to be complied with. The NCARB's website has a listing for each state's Member Board Requirements and can be found at <http://www.ncarb.org/stateboards/index.html>. This is a good source for an overview of the state's requirements before taking the exam. However, it is still recommended that you take a look at the actual Application for Licensure and state's Architect's Licensing Act. They are usually not very long and contain a vast amount of information regarding the requirements for practicing architects in that particular state. One example of a benefit to reviewing the state's Licensing Act is that Utah is proposing a revised act where the applicant may take the exam anytime after they graduate with an architectural degree and without first completing the IDP experience. This has not yet been enacted but will be a welcome choice for students graduating in the near future. I must also mention that although you'll be able to take the exam earlier, you still won't become licensed until you complete all licensing requirements. The cost to send in the application once the requirements are met for each board is currently around \$100 and varies depending on the state.

Another subject that needs to be addressed is the state board review. Once the IDP experience is complete, the NCARB Council needs to be notified (at least 90 days in advance) by you that you want your records sent to the state board (of your choosing). This can be done on the NCARB website through your My NCARB Record. Before doing so, NCARB will review your records to determine that all of your experience is complete and correct. Following their review, NCARB will send the record to the state board as part of the states' requirements to qualify the applicant to take the exam.

If you do not comply strictly with the requirements above, the process can become longer and more frustrating. It is best, when you have time, to review these requirements early. Whether you're starting your own firm or going to work for an existing firm after graduation, being properly prepared for the exam will be key to your passing success.

Once the important steps of "getting the records straight" is through, it is time to begin remembering what was recently taught to you at the school of architecture ... or was it? A helpful site to review before taking the exam is http://www.ncarb.org/ARE/arepassrates_by_school.asp. This shows the passing percentages of students based on the number of students from certain schools of architecture that passed the exam. Interestingly enough, it might also show areas of improvement in terms of education at the schools in preparation for the exam. Though there is not a direct reflection in the pass rates on what is taught at the school, it is a reflection on what the students know, or how they prepare for the exam. For the architecture schools, it might be a good tool to use for planning future criteria. It might also show what areas you may need to study harder for, depending on the university you attended. The chart indicates the states I am researching and their passing rates (see Figure 11).

Figure 11. ARE Pass Rates by School (# of students completing the exam)



Note: This data is for calendar year 2005 only.

Note: Most states have more than one architecture school. This information averaged multiple schools within the states.

Another aid for the exam is study guides that can be found on NCARB's website. There are many study guides, both expensive and in-expensive. Using NCARB as a resource can discern how questions are structured and the way the exam is formatted. The decision is largely yours to make, according to how much you feel you already know. There are also free publications that might help to acquire knowledge for the exam. These can be downloaded from <http://www.ncarb.org/publication/freepubs.html>. There are other great sources that provide study materials useful for the exam:

1. www.PPI2pass.com
2. www.archiflash.com
3. www.kaplanaecarchitecture.com

The most commonly found sources for study are the Kaplan study guides. Many firms make the guides available for their employees, as they are quite expensive for a graduating student. If you plan to work at a firm before trying to go off on your own, it may be wise to ask if the firm also pays for the exams. Many firms do this as a benefit for those fresh out of school.

Personal/Professional Licensing

Besides the general licenses that are required for each jurisdiction, there are some additional actions that need to take place for the occupational licensing. Some state boards require jurisdiction-specific exams in addition to the ARE when you submit your application for licensure (i.e Washington requires an additional seismic exam and summary of laws). These exams are formatted to acquaint the practitioner with the laws and rules of the state. The requirements and costs for the states researched are as follows (see Figure 12).

Figure 12. Jurisdictional Laws and Rules Exam²¹

State	Additional Laws & Rules Exam	Application Processing Cost
Hawaii	No	\$75
Utah	Yes, In Application	None
Colorado	Yes, Open book, Multiple-choice, Take home exam	\$150
Washington	Yes, A written summary of law and rules	\$75

Note: Information extracted from NCARB's 2007 Member Board Requirements.

If you plan to do work in multiple jurisdictions, there are additional requirements. One option is to be employed at a firm that is already licensed in the state. This obviously is the easiest choice if the work you do in that state is a one-time job. If, however, you decide that work within that state will be common to your practice, using reciprocity will probably be the way to go. You will be required to complete several tasks to obtain reciprocity. Reciprocal licensing also needs to be obtained before you start doing any work (in some states, before you even market yourself). If you neglect in doing this, you could be denied a license and/or penalized for unlicensed activities. Reciprocal registration is common and becoming widespread as NCARB works to gain a national level playing field for architects who are NCARB certified. For now, states still have different requirements and costs for this registration (see Figure 13).

²¹ AIA, "2007 Member Board Requirements", <http://www.ncarb.org/stateboards/regboards2007.asp?> (accessed November, 2007).

Figure 13. State Reciprocal Registration and Costs

State	Additional Requirements for Reciprocity	Application Fee
Hawaii	Contact Board	\$75, through endorsement or exam
Utah	No, but Corp. Must register with the division of Corporations	\$110
Colorado	Yes, Open book, Multiple-choice, Take home exam	\$100
Washington	Yes, Complete a Seismic exam, written summary of laws and rules, Corp. must reincorporate in State	\$390

Note: Information extracted from NCARB's 2007 Member Board Requirements

General Business Licensing

After the daunting tasks of finishing your education, completing the IDP, and passing the demanding ARE, it would naturally seem that you have made it. As great a thought as that would be, it is only the beginning. There are state/territorial licensing and general business licenses to acquire as well as professional licenses.

It would be the wish of many to be able to open their doors the day they want to start their firm and start doing business. However, this task needs to be considered as one of the red tapes needing to be cut in order to do business. Starting a business is not tricky, but it can be if one is not familiar with the process and how to go about it.

The first question is, "Why do we need licensing in the first place?" David Polatseck, President of Business Licenses LLC, explains in an interview that the various permit and license requirements have three main purposes:

1. To identify your business and make sure you're accountable for your actions
2. To protect the public health and safety

3. To keep track of your finances for tax purposes.²²

The difficulty with getting licensed is that it's governed at federal, state, county, and municipal levels with multiple agencies. A business might be required to employ any of the following licenses before opening its doors:

1. A basic business operation license.
2. A Federal Employer Identification Number (EIN).
3. A state identification number.
4. A business name registration.
5. A tax registration from the state, for withholding employee taxes.
6. A seller's permit, to collect sales tax.
7. A license from an oversight department, such as the Department of Health, if you handle food, and numerous other agencies for different trades.
8. General excise tax (GET) registration

Included with general business licensing requirements are permits. This can include a home occupation permit for home-based businesses; a zoning or land use permit in order to do business, in a residential area for instance; a fire permit if your business will attract a large number of customers; and an occupational license if you work in an industry such as architecture, medicine, cosmetology, financial services or real estate, among many others. In the states of Hawaii, Utah, Colorado, and Washington the following chart shows the applicable permits and licenses needed to do business (see Figure 14).

Figure 14. Business License & Permit List Required for Architects²³

State	Federal	State	County	Local
Hawaii	-	Hawaii Tax Registration	-	-
Utah	-	Business & Tax Registration Fictitious Name Registration	Business License	Business License

²² David Alderton, "Getting Started", http://www.pronet.nielsen.com/smallbusiness/content_display/getting-started/e3ia61ae1e154c4c9b54f61ec35045381fa (accessed November, 2007).

²³ Businesslicenses.com, "Business License & Permit List", <http://www.businesslicenses.com> (accessed November, 2007).

State	Federal	State	County	Local
Colorado	-	Colorado Trade Name Certificate Tax Registration	Business License Solicitor License	Home Occupation Permit
Washington	-	Washington Master License Design Firm License Fictitious Name Registration	-	Business License

Note: Information extracted from businesslicenses.com.

For the state that you wish to do business in, good places to start are the Departments of Commerce, Departments of Licensing, etc.. Generally, they will assist and direct you in obtaining the proper licenses for your state. Because of today's technology, most states can probably be accessed through the internet and most, if not all, forms may be filed online to complete the licensing process. Pricing may vary depending on what licenses and how many different licenses the state requires. The amount of licenses also depends on how many locations you wish to do business in. Individual licenses are issued based on individual locations. As an example, in the state of Utah, it will cost approximately \$150 to obtain all licenses for business (business license, business name registration).

Mandatory Continuing Education

Once licensed and registered in the jurisdiction(s) of your choosing, there is a requirement in most states for continuing your education within the industry. As part of a registration renewal fee (in most states this is every two years), some states require additional conditions in the form of continuing development units in health, safety, and welfare topics. These units follow the same structural layout that NCARB established for the IDP. In the Architect's Licensing Act for each state, it describes the requisite number of hours that are needed to fulfill the renewal for the architect's license (see Figure 15).

Figure 15. Continuing Development Unit Requirements

State	How many Units/ Hours Required per Renewal Period
Hawaii	16 Hours
Utah	16 Hours
Colorado	None
Washington	None

Note: Information extracted from NCARB's 2007 Member Board Requirements.

Promising Possibilities

It's hard not to get overwhelmed at the many hurdles standing in the way of starting a design firm. Having read the past few topics, it seems hard enough just to get to the starting line. "Every year 1,000 design firms start up in the United States. Of those firms, 800 survive the first year, 600 get past the second, and only 500 are left at the end of the third. After the end of the fifth year, only 250 of the original 1,000 start-up firms exist in some way or form."²⁴ However difficult it may seem, people do it, and they succeed at it. Without disputing the accuracy of this statement, the previous research findings also indicate that one third of all firms were formed in the last ten years and about only half of those were established within the last five years. This is not an impossible task ... so let's recap.

The majority of architecture firms that have recently started, and are still operating today (meaning the past 10 years), are located in metro areas in single states. They have a small number of workers ... but they do have workers, indicating that they are more productive and profitable having such. These workers however may not necessarily be in-house ... they may be outsourced (i.e drafters). This advantage would utilize the worker 100%. These small firms generally do not do projects that require other sources. However, if they do, they will outsource and use consultants for the majority of their specialty services. This could save on additional overhead costs. Institutional, residential, and commercial projects proved to be the most profitable, suggesting perhaps specializing in a mix of those markets. Basic design services have the most revenue perhaps recommending this focused area of service. Gathering and comparing the information, we get an idea of what other firms are doing as they establish themselves and grow into successful businesses.

²⁴ Albert W. Rubeling, *How to Start and Operate Your Own Design Firm* (New York: Allworth Press, 2007).

III. History and Leadership

Evolution of Design Firms

The architectural profession is an organic, dynamic metamorphosis, continually changing throughout the ages. Today's definition of an architect continues to be molded and defined, improved and refined; from the Neanderthalic ages to the powerful Roman Empire influences, pre-revolutionary to post-revolutionary movements, to the present day contemporary expressions. In short, Franklin D. Roosevelt expressed it this way, "It takes a long time to bring the past up to the present." This section has been purposely titled *Evolution of design firms* because it has been just that ... an evolution, not revolution or restoration. Because of this evolution, we as architects have nearly endless possibilities, more clearly defined expertise, and broader opportunities. We should thank the architects of the past for our future in architecture, for their advancements and their blunders, that we may better educate ourselves and apply our forefathers' experiences to our own. Quoting the oldest author on architecture in existence and still perhaps one of the most remarkably influential architects, Marcus Vitruvius Pollio stated, "The architect should be equipped with knowledge of many branches of study and varied kinds of learning, for it is by his judgment that all work done by the other arts is put to test. This knowledge is the child of practice and theory."²⁵ The totality of our learning should be lined with understanding of our past. With this learning we can better perceive the direction we are going. To gain a better understanding of the past in architectural practice I give a brief overview of the profession as it is today.

There are three definitions in the Meriam-Webster dictionary for the word *firm*: the name under which a company transacts business, a business partnership of two or more persons, and a business enterprise.²⁶ It also describes the word *profession* as being a calling requiring specialized knowledge and often long academic preparation. This paper combines the two definitions; as the history of firms is recognized very little, but the practice of architecture has been studied in great detail.

The start of architectural practice can be a controversial issue, depending on the individual's definition of architecture itself. Architecture in the beginning served, at its simplest element, as a utilitarian form. Today, although the same motive for architecture is being exercised, there are other functions added over time — essentially improvements — that increased our need to specialize in the art. These specializations are what perpetuated the art to present day practices and professions.

²⁵ Morris Hickey Morgan, *Vitruvius, The Ten Books On Architecture* (New York: Dover Publications Inc., 1960).

²⁶ The Meriam-Webster Dictionary, "definition of Firm" (Massachusetts: Merriam-Webster Inc., 2004).

Much of the older, eastern United States' architecture derived from the European influences. American professionals in the 1700s gained their influences in medicine, law, and religion as students studying abroad, by either learning or touring. Generally, only those with influential and/or wealthy backgrounds had the opportunity to delve into oversea academia before beginning their so-called professions in America; even attending the schools in America was reserved for the privileged. Although not generally formally educated, most architects learned the skill from apprenticeship and were continually able to find prestige in their profession. Even as architecture gained more popularity among the universities and growth in the attendance began to flourish, architects still found their professions through apprenticeship, not academia.

By the 19th century, over 10,500 individuals called themselves architects, yet only 400 were enrolled in schools. Difficulty in finding a balance in architecture was largely due to the lack of standards, regulations, and organization. By the 1860s however, America was beginning a rapid growth period. Most so-called firms at this time were operated mainly by the practitioner and usually ended when the practitioners passed away. The practice preceding the 19th century was roughly operated without standards, regulations, or any kind of organization. However, during the 1800s, economic growth began to require certain boundaries in terms of architecture, and institutions became proponents of the changes.

History of the way practices were operated at the time began with the American, Richard Morris Hunt, who returned from Europe after studying at the Ecole des Beaux Arts in Paris. Others, including H. H. Richardson, Louis Sullivan, and Julia Morgan, followed Hunt in a similar fashion not long after his return. By far, the most intriguing feature of the way the profession was operated in Europe was the atelier system. The atelier system is a student-run studio that takes on competition projects with an overseer, or what they called an "atelier master." The overseer was usually an experienced professional and critiqued the student's work. Today, the influence still abounds in many architectural firms. Architecture studios reflect the atelier attributes where much of the design work and collaboration takes place.

Institutions started to establish criteria to build competency and expertise in the profession to counter different cities' requirements rising from the growth of the economy. The American Institute of Architects (AIA) was formed in 1857 and eleven other institutions were created. Richard Hunt was the founder of MIT, the first American school of architecture in 1865. Other institutes implemented academic programs following similar criteria according to the Association of Collegiate Schools of Architecture. In 1897, Illinois began requiring licensure for architects. In 1909, the first formal AIA code of ethics was adopted.²⁷

²⁷ Dana Cuff, *Architecture: The Story of Practice* (Massachusetts: The MIT Press, 1995).

Today, firms have a variety of disciplines and still practice with the studio style environment. In fact, there are over 50 firms established in the 19th century that are still in existence and remain successful. However, if a firm will continue to succeed, they must continue to change. This is the purpose of evolution, and the reason this profession continues to be a challenge. Do we follow the past's patterns of organization? Is today's path that much different, or can we find a new untrod path that becomes more successful in dealing with change in the future. The patterns of the past need not hold tomorrow hostage.

Leadership among the Few

In all of my case studies and educational experiences, leadership is one of the main elements considered for promotions in architectural firms. As one of my mentors put it, "Leadership is about taking people where they have never dared to go."²⁸ As I perceive different firms, leaders seem to be few and far between; and those that have leadership skills are the ones leading the firm. Does this mean the followers do not have leadership tendencies? What is the hope for those wanting to become leaders? This section is not intended to give anyone the "golden goose" list of attributes in becoming a great leader. I tend to agree with the comment made from W. Somerset Maugham, "There are three rules for creating good leaders. Unfortunately, no one knows what they are." This section is more intended to outline how the majority of individuals view good leaders, and what attributes they list good leaders as having.

A leader is an effective manager. Conversely, a manager is not necessarily a good leader, and the same goes for a boss. The sooner we recognize this the sooner we understand that there are fewer leaders than we may have realized ... which is why those with leadership qualities are usually the first for promotion. The difference between a boss/manager and a leader is that the boss/manager is respected and obeyed because of his/her position. A leader is respected and looked up to as an example not only because of position but mainly because of the qualities of character and ability.

"Leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent."²⁹ Not many have the attributes of leadership because it is something that must be learned ... and earned. Perhaps this is why there are so few leaders, not many individuals want the burden. Some individuals say they were born with leadership tendencies — this has not been proven otherwise — however, if they do not exercise

²⁸ Ron Skaggs (Executive Committee Chair, HKS), in discussion with the author, April 2006.

²⁹ Ads by Google, "Concepts on Leadership", <http://www.nwlink.com/~donclark/leader/leadcon.html> (accessed October 10, 2007).

these attributes correctly, there is a strong possibility they can lose their influence. Vince Lombardi, National Football League coach and leader said, “Leaders aren’t born, they are made. And they are made just like anything else, through hard work. And that’s the price we’ll have to pay to achieve that goal, or any goal.”

All subjective topics are controversial, which is why I’ll include this thought, “Who says there are so few leaders?” The only people who can call a person a leader are the followers. People outside the organization might call a person a leader, yet he/she might have just been a dictating tyrant who used his/her power of authority to get things done. This only made the individual the boss, not a leader. Only the people who work for another person have the authority to call that person a leader. Too many people equate leaders with the power of authority, yet it is more about visioning and achieving goals through others. Organizations that are lagging behind their competitors often have a lack of leaders throughout their ranks, while great organizations have leaders throughout the organization, from top to bottom. The lesson here is that while we may not see many leaders, there may be more lurking about than we perceive and that leadership, no matter who we are, is achievable; anyone can make the ranks.³⁰

Tichy commented in the *Leadership Engine* that, “throughout this journey, I was both consciously and unconsciously learning that leadership was the key determinant of success, not processes, culture, techniques or scientific management but energized visionary leaders who could make things happen.”³¹ Based on his comment, anyone with this characteristic alone could be successful with his or her own firm. Obviously, leadership is considered one of — if not the most — desirable trait for success in the profession. If this is indeed true, then leadership is like the old catchphrase for Porsche, “There is no substitute.”

There is a list of leader attributes that are worth reviewing. This is a list of the ten most common and highly valued characteristics as a leader:

1. Always has a vision
2. Is honest and fair
3. Is trustworthy, responsible, and orderly
4. Focuses on the positive
5. Exercises mood management/is enthusiastic, confident
6. Communicates the business’ core values by example
7. Concentrates on the big picture/committed to excellence
8. Exercises crisis management/tolerant of ambiguity

³⁰ Ads by Google, “Frequently Asked Questions on Leadership”, <http://www.nwlink.com/~donclark/leader/leaderfaq.html> (accessed October 10, 2007).

³¹ Noel M. Tichy, *The Leadership Engine* (New York: HarperCollins, 2002). xxii

9. Stops gossip
10. Is continually eager to learn and teach

Ultimately, a leader gets results. A good leader always knows when to use whatever tool is needed according to the situation to get the results. If there is anything that can be over emphasized in this research, it would be that to start a design firm, you need to have leadership qualities.

“If your actions inspire others to dream more, learn more, do more and become more, you are a leader” — Dwight D. Eisenhower.

The Architect's Role

I still view a lot of the earliest architects as the most influential architects in history. This is mainly because their role had much greater complexity (master builder) than that of the architect's role today. My statement may be prejudiced, however, I do believe that today we have a choice of what role we will play as architects. Never in the history of the world have so many possibilities been granted to those in our profession.

Vitruvius defined the architect in his day as someone “that is equipped with knowledge of many branches of study and varied kinds of learning ... it follows, therefore, that architects who have aimed at acquiring manual skill without scholarship have never been able to reach a position of authority ... while those who relied only upon theories and scholarship were obviously hunting the shadow, not the substance.” He goes on, “ ... there are these two points: — the thing signified, and that which gives it its significance. That which is signified is the subject of which we may be speaking; and that which gives significance is a demonstration on scientific principles.”³² Vitruvius understood the strengths combining pragmatistic skills and theoretic thinking to the point that it was the foundation of his other writings. To him, an architect was not an architect without these fundamental roles.

In today's profession, Vitruvius' thinking is still primary to our success. However, there are other factors leading to the role of the architect. Our dynamic economy requires something other than conventional practice, it requires a nontraditional practice ... what is nontraditional practice? Stewart Brand, a writer on sustainability and founder of several do-good organizations, calls architects in this practice “hyphenated architects.” Educator-architects, public-architects, corporate-architects,

³² Morris Hicky Morgan, *Vitruvius: The Ten Books on Architecture* (New York: Dover Publications, 1960).

city-architects, and scores of others that have proliferated across the landscape.³³ In essence, architecture today has become more of a service oriented practice rather than a product-based practice (see Figure 16).

Figure 16. Redefinition of the Profession

REDEFINITION OF THE PROFESSION: FROM PRODUCT-BASED PRACTICE TO KNOWLEDGE- AND SERVICE-BASED PRACTICE		
	PRODUCT-BASED PRACTICE	KNOWLEDGE- AND SERVICE-BASED PRACTICE
Basic strategy	Uses core knowledge and skills in responding to long-recognized client needs that focus on physical and regulatory considerations. Design professionals generally view the completed building as an end in itself.	Expands the knowledge base and skill sets to address a wider range of building needs beyond physical and mandated considerations. Design professionals view the completed building as a means to help clients achieve other ends.
Beyond projects	Projects encompass services required to design and prepare documentation for the creation of physical space.	A project is defined as a planned undertaking in which the architect provides services to achieve desired client objectives. A project may or may not result in the creation of physical space.
A broad range of services	Services are largely aligned with the design-construction axis for the creation of new space or the modification of existing space.	An expanded range of services is applied to bring together knowledge, skills, and resources beyond those used for design and construction.
Client-architect relationship	Architects normally have long-term relationships with consultants, contractors, and other team members. Client-architect relationships, however, are frequently aligned with the timeline of a single project.	The architect fosters interaction with the client to build stronger relationships beyond the project timeline. In the process, the architect works toward a consultative role to become a trusted advisor.
Facility life cycle	The life cycle vista focuses on the design and construction stages.	The vista is widened—upstream and downstream of design and construction—to embrace the entire facility life cycle.
Facilitator and integrator	The architect applies design thinking and uses facilitative and integrative skills to design and create physical space.	The architect uses design thinking and leverages facilitative and integrative skills to address a broad range of needs beyond the creation of physical space.

Note: From Product-based Practice to Knowledge- and Service-Based Practice

One way the role of the architect is viewed is through the eyes of the clients. Some less-experienced clients view an architect as someone who produces the client's ideas and produces a set of specifications used for obtaining the construction bids, permits, and guiding the construction process. Nonetheless, some view the architect as a central tool in terms of aesthetics, physical safety, and political and market risk.³⁴ However, with all descriptions of the architect's role, it inevitably is decided by the architect. You are at the helm of your "destiny ship" and you decide what your role as an architect will be.

³³ AIA, *The Architect's Handbook of Professional Practice* (New York: John Wiley & Sons, Inc., 2002).

³⁴ Mike E. Miles, *Real Estate Development* (Washington D.C.: Urban Land Institute, 2005).

IV. Business Structures

To help you understand some of the following sections, and the importance of choosing a form of practice for your firm, we need to discuss the difference in structures and how they are used. There are pros and cons to every organization, the following explains what they are and the characteristics of each.

Sole Proprietorship

Sole proprietorship is when one person forms the business and operates it on their own. The benefit of owning a sole proprietorship is the fact that it is not a taxable entity. Any gain, loss, deduction, or business credit available belongs to the sole proprietor.

Problems that can arise from forming this type of organization includes a person running the risk of having all of his or her personal assets exposed to creditors of the business. If the owner becomes ill or dies, the business he or she developed immediately loses much of its value, if not terminated all together. The only way to avoid termination of a sole proprietorship is creating a provision for a successor to take over the practice.

Partnership

This form of organization is similar to the sole proprietorship and has many of the same benefits and drawbacks. Each partner is personally liable for all of the business debts. The partnership ends whenever any partner decides he or she no longer wants to be a part of the business, or if a partner dies. As in the case of sole proprietorship, the partnership is not a taxable entity. Its profits, gains, losses, and credits “pass through” to its partners.

Drawbacks would include the difficulty of obtaining new partners, particularly if they do not want to share profits on an equal basis. Would you be willing to take less than an equal share of profits as a partner if you also had to expose yourself to the potential of 100% liability for business debts?

C-Corporation

Probably the most significant attribute of the corporation is its ability to shield its investors from personal liability. The corporation is, in the eyes of the law, its own entity. The only exception to this is when courts “pierce the corporate veil” because of fraud on the part of its shareholders. Otherwise the risk is measured by the amount of money the shareholders put into the company.

The corporation also has a perpetual life. If one of the shareholders becomes incapacitated, leaves the company, or dies, the corporation continues its independent existence.

Forming a corporation also theoretically maintains a certain anonymity. Although, corporations do have to file listings of their officers and directors which are public record.

The downside of forming this kind of organization is that a corporation is a person for tax purposes. Both the shareholders and the employees are taxed on salaries in the usual form. However, this means that if the corporation makes a profit after its deductions to salaries and business expenses, it must pay a tax on the profit. The corporation does have options for the remaining amount; such as bonuses and profit-sharing. If these are distributed to shareholders and employees, they are taxed a second time as income to the recipient. If it has a loss, it does not work to the benefit of its shareholders. At the most, the loss can be saved and applied against corporate profits in a future year.

S-Corporation

Unlike the C-Corporation, which is treated as a separate person for tax purposes, the S-Corporation avoids separate taxation for most purposes. The S-Corporation resembles the partnership for tax purposes because its income, deductions, losses, and credits flow through to the corporation shareholders who account for those items on their returns.

In theory, the shareholders are immune from personal liability for the business debts. There are limits on the number of shareholders the corporation can have. Corporate existence is perpetual, and the individual(s) can maintain the same degree of anonymity available in the C-Corporation.

The downside is that a S-Corporation may not get the business deduction for fringe benefit payments made on behalf of the employees.

Limited Liability Company

Forming a Limited Liability Company (LLC) has some benefits similar to a hybrid of the partnership and S-Corporation. Unlike the general partnership, owners of an LLC have limited liability. An LLC provides limited liability to its owners, but taxable income or losses of the business will generally pass through to the owners (there are exceptions).

An LLC is also like an S-Corporation, in that it provides for a pass-through of taxable income or losses, as well as limited liability, but it can qualify in many situations where an S corporation cannot, since an S corporation cannot have the following:

1. more than 100 shareholders
2. nonresident alien shareholders
3. corporations or partnerships as shareholders
4. own 80% or more of the stock of another corporation
5. have more than one class of stock (or otherwise have disproportionate distributions)

The downside to LLCs is that they must usually provide in their articles of organization that the entity will terminate in not more than 30 years, and the fact that an LLC must (generally) have more than one shareholder, unlike corporations.

LLCs also require for professional service firms that all owners of the company be professionals in that field. This can be good or bad depending on your vision of the company.

Since LLCs are treated as partnerships for income tax purposes, no payments for the LLC to buy out one of its members can qualify as deductible. This can be a serious tax disadvantage for a professional service firm that operates as an LLC, rather than as a partnership. (some states with LLC laws do not allow professional service firms to operate in the LLC form.)

All the earnings of a professional LLC are generally subject to self-employment tax. This can be a big disadvantage tax-wise. Whereas the S-Corporation is not subject to self-employment tax.

Some states have corporate income taxes or franchise taxes based on income. They will treat LLCs as corporations for state income tax purposes. This can result in double state taxation of income in such states like Texas or Tennessee, which have no personal income tax. This would not otherwise be incurred with either a regular partnership or a sole proprietorship.³⁵

³⁵ Ronin Software, "To Incorporate ... or not to Incorporate ... That WAS the Question", <http://www.roninsoft.com/lic.htm> (accessed January 28, 2008).

V. Comparative Models/Case Studies

A Look at Small Firms

Definition of a Small Firm

Small firms, for the purpose of this research are limited to 15 employees or less. These firms make up about 86% of existing firms. The majority of architects in today's profession provide design services through private practices. Over time, small firms have dominated the practice and today, it remains the case. For this portion of the study I interviewed three founders about their experience in starting architecture firms. Hopefully, it will reveal suggestions and ultimately a framework that others might follow in developing and starting their own firm. The outline will be similar to how I have proceeded with my interviews, through their history down to their ideas, goals, and techniques.

Firm A

The first of the small firms (Firm A) I had the opportunity to visit is based out of a house centered in Oahu, Hawaii. I didn't actually visit the home, but met in another location more appropriate for the interview. As a sole proprietor, working out of the home becomes ideal for minimizing the overhead expenditures, but as a business atmosphere is less accommodating. The firm itself was established in 1978 and has been successful. The founder of the firm relayed his story to me as he saw it from the beginning.

Jim[§] graduated in 1970 with a BArch degree with a thesis on historic preservation. His thesis was actually focused on a local series of warehouses scheduled for demolition. The project was to strategize the benefits in preserving the buildings economically and profitably. As a result of his thesis, the project was adopted by the owners and the buildings were preserved and restored. This project led to other opportunities as well as an increased interest for the study area of historic preservation.

After graduation, his feeling was like that of some students, burnt out and needing a break from academe. During this time, Jim took up a teaching position in photography at a high school from 1970 to 1975. During the following two years, he took a position at a firm where he could exercise and increase his talent and skill in the area of his interest ... historic preservation. Opportunities came and as he became increasingly aware that he was solely providing the services for the firm in his area of

[§] Jim (as with the remainder of names used for firm founders in this research) is a fictitious name to preserve confidentiality).

expertise, he decided he may as well do it on his own. In 1978, eight years after graduating from college, he started a firm using a client that followed him from his old employer. The project was a home in Kahala that never actually finished; the project died. The firm itself went through some re-brandings over time as he partnered with another individual. The firm eventually grew to 15 employees and finally in 1998 Jim left the firm as a result of a tenure track commitment at a local university.

Currently, his staff consists of one draftsman. When he started the firm, he took on all aspects of the business himself; from pre-design to drafting, and client meetings to construction administration. The firm is a C-Corporation (C-Corp). When I asked why he chose the corporate structure, his response was that it seemed easiest at the time; when the partnership dissolved, it was easier to keep the company as a C-Corp. The firm specializes in historic preservation, which at the time of establishment was not a popular practice, and custom homes for which he has a two-year waiting list of clients. His volume when he had 15 employees was approximately \$2 million. With only himself and another employee, they made \$200-400,000 net revenue. He admittedly stated that it wasn't until he hired another employee that he actually made a profit.

When I asked him why he wanted to start a firm, his reply was, "I wanted to only work on preservation work. No firms at the time did this kind of work. Also, I wanted to work on the project itself instead of managing the projects." To Jim, the employee is a diamond in the rough. Working 2000 miles away, the draftsman can ultimately do the work while Jim is still asleep, counterbalancing each other's work schedules. The qualifications for such an employee, he said, were hard work, being resourceful, skillful, and trustworthy. He is proud of the fact that he has 100% utilization rate on his employee (pays by the hour). They use mostly updated software (AutoCAD 2007) which is based solely on the preference of the draftsman.

Questions regarding the funding of the startup are always first on the list. In this case it was no different. Jim, for a Christmas gift, was given a Christmas loan in the amount of \$1500 from his spouse. To this day he is proud to say he has not needed additional funding. The starting capital was to pay for the first month's rent and typewriter. He considers himself a practice-based firm (as opposed to business-based) but acknowledges that there is a business side, mostly from consulting with other professionals. He started the firm because he liked the stability and ability of working on the projects himself and receives most of his clients from word of mouth or awards.

In retrospect, he recommends that anyone desiring to run their own firm love the work; love some specific activity and go after it. He confessed to me that the

construction process was the hardest part. He continued to express the importance of doing a good job for the client, and from that come the referrals.

As a small firm owner, Jim has a good sense for the necessities of success. Keeping overhead low he is able to maintain the office without a lot of residual stress. The focus can be on attending to his area of expertise. Also, it is rare that an employee have 100% utilization rate. This also cuts down the overhead, retaining larger profits in the end. He started with little funding and used it only for things necessary to do the work. Small poignant business decisions can make a large impact towards the overall success of the firm's future. As a result, Jim has maintained a small successful firm that has performed well and continues to do so.

Firm B

Larry was a student at the University of Illinois. He worked for a firm in Champaign as an undergraduate and decided to continue toward a graduate degree. While working at the same firm throughout school and several years after, he decided it was time to move on. Larry finally became licensed in Iowa and, through his relationships in college, knew a friend that relocated to Washington and established a small design firm. He was familiar with the type of work his friend was involved in. Starting as an employee (not partner or associate), Larry moved his way up in the firm to the position of a partner, ultimately one of three partners in the firm. He worked approximately six years in the firm before he attained partnership level, and continued as a partner for another 17 years. He had an expertise in construction and was familiar with construction processes and procedures which led him to the field on many complex projects. Another area of his expertise was cost control. Larry mentioned that in many cases architects earn a bad rap for lack of attention to construction costs. In the past 12 years the firm has averaged 3% above the construction cost budgets. After many years Larry decided to leave on a sabbatical and became interested in teaching, where he is today. Talking with Larry, he used the term "potted plant" as a description of his character but mentioned he is open to new adventures too.

During Larry's tenure as a principal, the firm grew to around 15 employees. Even though they grew, the firm did not have a consistent brand. Larry explained that they deliberately avoided branding their firm. The firm's work consisted of a variety of projects and instead of striving for a niche, decided to take on projects of different challenges. He said he wanted their work to be recognized as having been done by a skilled firm, but by one that doesn't have a specific stamp on it. He said he was visiting Singapore and was shown around by a local architect. They went by one building and he recognized the architectural style, and could guess the firm that designed it. Larry affirmed the statement given by I.M. Pei that "it is the architecture that counts and it arises from the place, the people, and the time."

The work that Firm B focused on mainly was schools and hospitals. They did not seek residential work at all. This was the primary reason for growth in the firm. As it was, the firm never took advantage of a business plan to begin with nor to use it as a compass for the firm's future objectives. Larry believes that it was one area they could have worked on, and realize it could have been a great asset.

The firm always developed a project-specific logo before starting work on a new job. They consulted a graphic artist who, whenever a report was prepared, would conjure up a design utilizing the project and client, not the firm. This explains, as he put it, defining the value of the architect, being able to see beyond the immediate question to what the client's needs are.

Because Larry has had experience in both the professional and academic realms, he had a lot of insight to the needs of additional education in certain areas. One area that he touched upon was the idea of practicum and how it is labeled as an intern's seamless transition into the real work force. Larry said, "... how can that be? There isn't any seamless transition from one firm to the other. They're different! Everyone is different; there are commonalities, no question, but when it comes right down to it, every individual brings their own standard of performance, morality, and vision as to what they are and what they want to bring to the situation." Larry compared it to two guys in the office, "show me two guys in the office that think alike, and I will fire one of them." The idea, he says, is diversity.

Larry stated a concern for the future of architects and compared the population of the United States to the number of registered architects. He mentioned there are slightly more than 100,000 registered architects compared to the 300,000,000 residents of the United States. He said that universities are not graduating as many in relation to the population as they used to. The architect who knows more, not only in design, but of management, business practices, finances, and international law will play a great part in the leadership of any architectural firm. Larry's argument was that not only do we need a practicum experience, but that we need an additional broader education. We need to have more contact with business in order to get the skills to do business. Larry explained that we have the resources on campus, and once we exploit them, we will be able to produce the best educated architects in the country.

When I asked Larry about marketing and what his response was to the future of architecture, he began to explain the idea of reciprocity, outsourcing, and international work. He said that due to the abilities to have reciprocity with neighboring countries (Canada, Mexico), we are able to do work where not many firms have gone before nor where they are doing work today. He proposed that you should not go into any practice situation without regard to cross border activity. This is due to the way the world is changing and evolving and you just don't want to confine yourself to the

ambiguous borders of the states. He said, “You have to meet all of the conditions and requirements while doing it, but you are not limited by state lines, you are not limited by international lines, you are only limited by your own vision ... If you choose to lock yourself up that’s your business, but I am suggesting that you don’t do that.”

With the intriguing thought of doing work outside of the United States, I asked him about some ideas of how to get business internationally. Larry’s first answer was business organizations. He suggests that you should find an organization that you like and are interested in. He shared his experience with the AIA International Committee of going to Taiwan and teaching at a university. The colleagues he met were architects and some of those contacts he made, he still has.

Along the lines of international work, Larry talked about how it usually functions. He said, “Now in the case of international work, unlike maybe more domestic work, the same old architects don’t hire the same old architects. International work is often a connection between foreign and domestic architects.” He explained that a firm doing international work generally does the vast amount of design work, but the documentation, the permitting process, and the construction phase is done by another firm of that country. Even in the United States, some of the work is being distributed to firms in other states. Other times this is done to draw upon certain skills, if you are doing a sports arena and had little experience in doing so, you recognize their talents and use your talents to support and market your own areas of specialty.

Larry discussed the importance of client satisfaction and having an outlook on various kinds of work opportunities. In his experience, these issues were in direct relation to the growth of his firm over time. As a result, the firm became strengthened in various architectural disciplines.

Firm C

Trevor was a little reluctant at first when starting his firm because as he said, “it’s a pretty daunting task when you just think OK, you need work, you need clients.” Trevor worked at a firm for a total of eleven years. It took eight years for him to become licensed, as Trevor took an atypical approach to becoming a licensed architect. However, once he became licensed, he was slated to step in for a retiring principal and was made principal with the firm. Trevor was starting to buy into the firm and buy the retiring partner’s position out and thought that was what he wanted. He called it “a pretty good little situation,” but that was during the recession of the late ‘80s and work started to dry up. Trevor had a client that had a popular international restaurant chain with some miscellaneous retail and shop work. He said that it was one of the only active clients in the firm. Then he began to get uncomfortable in his relationship with his older/more experienced partner. Their relationship got worse as time went on, since his partner continually asked why he

wasn't bringing work in. Trevor would answer, "I don't know how to bring work in." He mentioned that it takes a long time to build those kinds of relationships.

Trevor did have one other client that kept bringing work in, but it got to the point where his relationship was really uncomfortable with the partner. At about that same time, his main client offered him a position as their Director of Development, so Trevor took the job. Trevor said it was a little bit limiting because he worked mainly with restaurants, but he also worked on a lot of sites and got to know some developers. He mentioned they're not the best clients, but that they are usually the first ones from whom you hear about work. That employment lasted full time for four years until his employer's work started slowing down. They came to Trevor and said, "look, we can only pay you two days a week."

Trevor started looking for another job to supplement his employer's work. He interviewed a little bit and got some really low offers. He had an interview with a well-known firm with a reputation for low-ball offers. Trevor said, "I remember I knew he would be kind of cheap." But he said, "Hey, I know your resume." At the time Trevor was making about \$50,000 in the late '80s, early '90s and the firm owner said, "Hey, we love your experience and we want you to come to work for us right now. We'll give you \$25,000." I said, "You know Richard, I think I can do your job and I think I will." Trevor made the decision right then that he would go out on his own.

Trevor ultimately interviewed with 4–5 firms, but in the back of his mind he always knew he could do it. "Maybe I had an overall sense of accomplishment but the more I interviewed, the more I realized the principals were making all the money and whoever was working for them was compensated, but not all that well."

Trevor mentioned he was lucky enough to have had the stipend from his employer and had the office to use with their CAD software and a draftsman. He said they were really good about letting him divide between his work and their work. Eventually, Trevor got a little suite of offices in the same building, even though he was still taking care of their work as needed, but he built it really slow. He said, "I'm very cautious, and very conservative. I didn't go into debt for anything, and at the end of every year I would take a look and see how much money there was, you know in profits, and I would do the maximum amount of equipment purchase for a one year tax depreciation. I bought computers, plotters, and started collecting some office furniture." Finally, in 1994–1995 about three or four years after starting his own firm, Trevor acquired his own office space and started hiring people and formed his Limited Liability Company (LLC). He said that this gave him his start into firm ownership. Trevor later mentioned that in 2000, he was forced into finding a partner if he wanted to continue to grow.

When I asked Trevor why he started with an LLC company, he said he was advised by his attorney that it was the easiest for tax reporting, and that way he could have his wife serve as one of the other managers. Trevor said that he was the managing member and she was a member in the LLC. Later however, when he became partner with another architect, they set up a sub-chapter S corporation. For a sub-chapter S corporation you are required to have shareholders and four corporate officers. Two people in the firm can be two corporate officers each, if you want to do that, but Trevor mentioned this was just the easiest route.

Trevor ran into problems when running his own firm before hiring another principal. He was not able to gain reciprocity in other states as he didn't hold an accredited degree. Hiring another architect with this capability would resolve this problem. He said, "I had some clients that wanted me to go out of state, and the way I got my architectural license and my education was to go through a nine year apprenticeship. Only after the nine years did I become qualified for the Architect Registration Exam. It was actually after about 8 years, but then I had to wait awhile to take the exam because I didn't pass it the first time I took it." Even after Trevor took the exam he couldn't get NCARB certification because he hadn't met their education requirement. In some states, he said, they'll give you simple reciprocity, and in Arizona that's what he had done. He said that you can show that you've been principal for eight years and they'll basically say, "you know what you're doing." Trevor mentioned that California is the same way, you just have to show that you have enough project experience. He compared it to qualifying for NCARB as a broadly experienced architect, and then depending on the state, take an exam. Trevor is currently licensed in two states; Arizona and Utah.

Trevor offered some advise on practical experience, "When I took the exam, I took it with a friend of mine with whom I worked. He qualified to take the exam a year before I did. He had to take the exam three times before passing it, and I had to take the exam twice. There's something to say about having practical experience."

As I had mentioned before, Trevor had a client that had international work. When I asked him how he was capable of giving such service, he stated that the work was more of a prototype setup, a template set of drawings for a typical restaurant. He said he would basically do all of the work an architect would do and then have a local architect stamp the drawings. He said, "You probably really shouldn't do that now days, now your supposed to direct the work"; he's right. This act of "Plan Stamping" is all states and most jurisdictions. The local architect must do enough work on the project to take legal responsibility for it.

Trevor's current office employs five draftsmen and himself. When he was a sole proprietor, he had a secretary and between three to five draftsman the entire time. Then, when he took a partner, he had between 10 and 12. He said he really didn't

want to get any bigger because you start to lose control. Your clients no longer see you as being in control. He said that the clients deal with you at first and then they don't know what they're getting after that.

Trevor explained to me that his clients were large national companies that came into the state looking for architects to do local work. He said, "Right now we have some health clubs that we consider stable income. Every firm needs to have those kinds of clients, but also needs to go after other clients. The stable clients are the ones that pay the bills. I found that out early on." He said his target was those types of clients. He said that a national company would come into the area looking for an architect and he would help build their market up. Trevor said, "I still have Jamba Juice as a client, and they've been a client for ten years."

Trevor's firm is doing around \$2 million annually in gross revenue. He said with distributions and overhead he was taking home around \$250,000. His profit percentages were high and times were good, but Trevor said he was working 60 hour weeks. He gives himself a lower base salary to help with taxes and would take the rest as dividends. He mentioned that the savings were for immediate taxes but saved greatly on social security because there is a cap with certain salaries but not on dividends.

In the way of marketing his firm, Trevor said he would always try to get his employees to see that a client needs to feel they received more service than they paid for; the key was client service. "If they have a problem, you just work it out. They don't want to hear the draftsman say, "we just did your drawings." I told my draftsman, "I'll pay you just as much to hit the erase button as the draw button." It's human trait that nobody wants to do anything over again."

Firm C didn't have an attorney on hand when it started, however Trevor did have one draw up the papers to form the LLC. He said, "I never really chased bad debt with the attorneys, either. I just figured I would trust everyone until they give me a reason not to. It cost us some I think, but the idea is to approach everyone with caution instead of having the attorney write everything, dot every I and cross every T. If I had to write off \$20,000 at the end of the year by getting stiffed on fees, then so be it. You'll spend that much going after it anyway." Trevor said that he really didn't do any marketing other than the advantage he had already established with two of his clients. "Basically," he said, "I just put the word out that I was starting and they just came."

When I asked Trevor what he thought his biggest obstacle in starting a firm was, he said that he never really thought of it. He said he was very patient and didn't expect to open the doors and have a big firm. However, after thinking about it for awhile, he guessed that his biggest obstacle was the employees and keeping them happy. He said that you desire to keep your employees so you don't train a guy that goes somewhere

else for \$.50 an hour more. He said that he would monitor other firms to see what they were paying their employees and he would pay his as well as anyone. That, he said, is probably the biggest obstacle; that and hiring someone with a good work ethic.

Trevor recommended for anyone starting a design firm that they stay out of debt. He felt that staying out of debt was one of the most positive things he did. He told me, “No matter what happened, all I had to do was deal with matters at hand, I didn’t have that debt monster on my back. It’s one thing to pay the employees, but if you have a debt to pay, that’s huge.” He also recommended any owner of a firm treat everyone honestly. He gave me an example of his clients wanting him to expand with them to other states and he always had to try to maintain the relationship and not lose the work he had there. He said that he had to politely let them know he could not do the work there. He mentioned that was mainly why he had teamed up with a partner.

Trevor mentioned in our conversation that he was non-conventional in his approach to getting licensed as an architect. At the end of our conversation I felt that he regretted not doing it the most common way (through an accredited architecture program and IDP). He said, “I don’t know why I let a mentor talk me out of going to the university. My mentor told me, “why spend all of your money going to the U when you can get great experience, getting a two year degree, wait your time, take the exam and away you go.” I couldn’t help but feel that he missed a part of academia that would have played a large part on taking the ARE.

Trevor’s firm was successful based on a very small range of clientele. He has a client target in mind and seeks after them, becoming proficient in doing their types of projects. Firm C is not a large firm, but then again, you don’t need to be a large firm to make a large profit.

A Look at Medium Firms

Definition of a Medium Firm

Medium firms for the purpose of this research constitute 16 to 50 employees. These firms make up approximately 13% of the existing firms today and bring in about 31% of the billings. From what I have seen of the firms I have interviewed, medium sized firms seem to have less of a niche and are more likely to take most projects that come to them. This builds on the evidence that medium-sized firms also have the largest amount of pass-throughs. This is due to the taking on of larger projects that require various specialties that are not in-house specialties. Though these firms are more likely to take on any project, recent studies show that mid-size firms and smaller firms are cutting back with the range of services they are providing. Fewer are offering interior design, space planning, landscape architecture, engineering, and

construction management services. Other firms may be trying to focus on certain services to efficiently manage their operations in the service areas they make available to their clients.³⁶ The following case studies were taken from successful mid-sized firms and offer valuable information regarding how they started and grew to where they are today.

Firm D

The founder of Firm D began his career when he was in high school. Jerry worked drawing maps of telephone lines, then got a job working for a mechanical engineer drafting the actual mechanical ductwork at his high school. Beginning in college and throughout, Jerry worked in an architect's office to help put himself through school. He mentioned during that time the professors frowned at working while going to school but that it became necessary. He mentioned that the toughest part of starting the firm was getting the work, "... it's just a matter of someday you get a job and you can do it on your own. That's the tough part, especially for young people. Why would the client come to you to design an office building when you need to charge the same amount as those who have been doing it for fifty years?" In the same breath, Jerry confessed, however, that people start firms all the time. He's right. Jerry mentioned that it took him nine years before he went into business with another architect.

In March of 1963, Jerry and another architect started their own architecture firm. Because of their experience in other firms, they were able to find and retain a repeat client (Safeway grocery store) that he said became a stable income source for the firm. Safeway was Firm D's biggest client in the beginning. However, Jerry said that some wealthy guys from South Africa came here and bought out Safeway. That was about 80% of their work and it just about put them out of business. Jerry recommended diversifying your work because you can get into a situation like that and it's pretty tough to find new work.

When I asked Jerry how the firm became what it is today, he stated that it was all about hiring the right employees. He said that he finds key people and compensates them well to keep them on board. He also mentioned little things such as bonuses or incentives that help tie employees to the firm. He said that you need to treat the employees fairly, pick the people you want to be partners. Jerry has a 1 in 100 rule, "If you were to hire 100 people, you would want to keep 1, the one who wants to really sit down and do the work. And if you have 100 of them, they would all be partners." Jerry mentioned that there isn't any one employee that wants to come in and work 45 hours a week, but they understand that when there is a project that needs to get done, they do what it takes to complete it on time, and on budget.

³⁶ AIA, *The Business of Architecture* (New York: John Wiley & Sons, 2006).

The firm started as a C-Corporation. I was told it was always a corporation, but that when the congress passed a law giving professional organizations freedom from paying taxes on retained earnings, they changed it to an LLC. Prior to the law, at the end of each year, the firm had to empty their accounts to avoid taxation. They had money to do business, do bonuses, pay bills and get it right down to zero. Then, he said, they would have to go to the bank and borrow ten to fifteen thousand to make payroll and hope to get a fee to come in. He mentioned if he were to start over, he would probably start with an LLC. Jerry also mentioned that the liability is limited in an LLC, but if you screw up you are liable, no matter what it is. He didn't seem to think there was an advantage one way or another; taxes are the same.

Firm D currently has 7 licensed architects and 13 additional employees. The firm had grown to 32 employees at one time but Jerry mentioned he didn't like that, it was too large. Jerry said, "I was managing managers, I wasn't with clients or anything else and I didn't like that. This is a manageable group. For me, anything from 19–20 seems to work. If you get above that, it is just people problems more than designing buildings."

Firm D's markets are, among others: churches, shopping centers, and office buildings. Jerry stated that they once sought after government projects, but that in order to do so "... you needed to kiss a lot of fanny to do it." He said that, "other firms can take those projects, I'll do the other work." Currently they have a large shopping center in Napa, Idaho, completely remodeling a family medical center, and are looking forward to a new medical center in Colorado and California. Jerry feels confident enough to design whatever comes his way. Jerry said, "I don't know what it would be that we couldn't do. We have had some incredible things. Rocket launch facilities to day care centers, office buildings and parking centers."

Firm D does not have any branches in other states. For all work outside of their state, they'll use reciprocity in those jurisdictions. Jerry says they don't do too much work outside of the state but some of their old clients tend to drag them elsewhere.

Jerry came up with the logo for the firm while he was in college. Intrigued by the classicism of Greek orders, Jerry drew pen and ink sketches. One of the sketches was of a Corinthian column that now hangs in his home. On one occasion, he also decided to mold the column from clay, it now hangs at home beside the drawing. One Christmas, the office surprised Jerry and presented him with a bronze casting of the clay mold and made four others for the other principals. To this day, this is what Firm D uses as their logo.

The location of the firm is in the heart of Salt Lake City, Utah. Jerry thought this site location was suitable for his firm because it was across from where they used to be. They found a piece of property that had three old homes on it, and they took one lot.

Their location is just off a freeway and is conveniently located to where they could easily travel uptown for meetings within ten minutes, if needed. Jerry simply said, “It’s convenient.”

Jerry has hopes in the future to maintain the firm as it is, with the number of employees and clients. The principals also have sons that are aspiring to one day lead the firm. Over time, the firm has built up a lot of repeat clientele. He thinks they will continue that way with the client base that they have and be able to build on it.”

Jerry’s firm seemed to be a medium-sized firm with the feel of a small firm atmosphere. The firm was heavily and elegantly decorated with taxidermy donated by different individuals of the firm, and most of the employees were hired on the “who they knew” basis, not by walk-in. In our walk-through of the firm, what stood out to me the most in viewing the firm’s success were the characteristics of the leaders. Each firm principal had a salesmanship attribute that I believe gives them the ability to market themselves and obtain future projects. From my perspective, this is one of their greatest strengths and appears to be their source for success.

Firm E

Firm E started in the late 1970s and is based in Honolulu, Hawaii. Charlie started this firm seven years after he graduated, worked with an engineering firm, and was licensed in 1975. He started with small remodel work and slowly moved his way up in the residential market designing new homes. Firm E grew over time to around 30 employees and has today downsized to a small firm of four. I have listed this firm in this category to describe it in its prime, and reasons for the downsize.

Charlie decided out of school that he wanted to open and operate his own firm. He felt after his experience in the engineering offices that he had the competence to do just that. He also felt the companies he had worked for didn’t pay enough attention to good design and client services; he knew that he could provide both. He began his office in his home doing work for friends. Today, Firm E focuses on the commercial, residential, city, state, and federal markets. Their work primarily encompasses the Oahu area, though Charlie is also licensed in Guam.

The firm has more than an open door policy, it’s more like an open desk policy. Charlie has his place in the open drafting room alongside the other employees. He says this is to help the apprentices watch the work and become a part of it.

Just like the open desk policy, Charlie’s spontaneous personality flavors the firm’s culture. Sporadic lunches, surprise movie days, and relaxed atmosphere intertwine to shape the culture of the firm, and influence the employee’s behavior.

The office is situated just outside of downtown Honolulu in a not so prominent building. However, the market he serves generally does not require clients meeting at the office, thus Charlie believes that there is no reason to spend money on embellishing the office.

The naming and logo design of the firm was a simple process. The name is simply his own name, even though others became principals in the firm. The logo originated from an office competition and has carried on throughout the life of the firm.

Most of the work that Firm E provides comes through referrals and repeat clientele. In the beginning it was not this way, but through marketing good design and service, Charlie was able to continue his client relationships. One tip that he gave was to follow up after the project. This impresses the clients and shows them you are genuinely concerned with their satisfaction.

Firm E is a S-corporation. It was a C-Corporation until only a few years ago. The accountant talked Charlie into converting it to a S-corporation for tax purposes. Agreeing to do so, Charlie's accountant went ahead and changed the organization's status and made an error. This mistake ended up costing over \$90,000, but Charlie seemed pretty optimistic and said that he had been through plenty of other troubling times.

As mentioned before, the firm grew to over 30 employees. Charlie felt a little overwhelmed with the management of the firm and hired on a couple of principals who stayed for several years. Charlie and the other principals never really got along and finally went separate ways. Still feeling overwhelmed, Charlie decided to downsize and run it as he did before the growth of the firm. Charlie enjoys this size of the firm. He says it is more manageable and he is able to be involved in all of the projects and decisions that need to be made.

The one piece of advice that Charlie gave to me was, "less is more." Don't do the unnecessaries and buy a plotter when you don't plot very often. Don't get an office, or at least an expensive one, if your client doesn't need to meet there. Buy used computers if you need them, technology is always changing. Charlie said, "you're not making your money work for you when you spend it on frivolous things."

Charlie seems pretty experienced in the workings of the firm. Many times it seemed that Charlie learned from the school of hard knocks. However, learning in that manner isn't necessarily a bad thing. The key is to learn from the mistakes that will make your business better in the end. Charlie's firm has been successful throughout his career. He will be retiring in a few years and he has no plans for ownership transition. This plan seems to be what he has always wanted, and he feels successful with that. If that is the case, he accomplished the whole purpose of starting his firm.

Firm F

Firm F is a design firm based out of Seattle, Washington. It was established three years ago in 2004 by Jeff. Jeff started this firm as a final school project and began designing homes on the side. He has maintained a continual growth bringing the number of employees of the firm up to 30. His firm now is one of the largest (per number of employees) in the state and brings in annually approximately \$6–7 million.

The principals of this firm are not licensed architects. The work they've completed have been residential homes. In the state of Washington, you can build two story homes without basements and not be required to hold a professional architects license. Over time, as the firm expanded, they have been asked to do commercial work. Jeff has since hired licensed architects to handle the commercial work as a solution to the problem.

Jeff decided long before graduating that he was going to start a design firm. He worked hard at a niche to offer the market, although he did not know where he was going to establish the firm. Firm F is largely known for progressive contemporary architecture. They design mainly residential homes both single family, and multi-family. Just recently they have been asked to design some mixed-use facilities, but have yet to have any. Jeff has been determined to create a firm that can put out a complete project; from planning to drawings, construction to sales. They have expanded their firm, and as a result have included other areas of service such as structural engineering and real estate sales.

In determining their market, Firm F knows its limits. Because of their niche in the residential market, they have seen the change in the sales of residential over the past year and were concerned about their firm's future. However, when they studied their demographics, they found there was only one other firm that even suggested they did the same archetype construction. They also found that most of the residential architecture in the surrounding area were coastal style homes. In the recent past, Seattle has become one of the younger economies of the country. Firm F has taken what they found to be 10% of the marketplace, the younger generations, and created an "MTV generation" living style that has proved to be a very marketable niche, even in times of home sale lows.

Firm F is an S-Corporation. More than anything, it is to avoid the double taxation. There is another reason Jeff decided on an S-Corporation for their organization, and that is that they do not have any professionals in the leadership of the company. Primarily, the difference between the S-Corporation and the Limited Liability Corporation (LLC) is that the LLC requires that all of the shareholders in the company be professionals. Some clients find a LLC to be a reliable source for their projects, but in the case of Firm F, most of their clients are residents and are probably

not aware this is the case. This decision is generally a personal one for the leaders of the firm.

Jeff first established the firm while finishing his master's degree at the University of Washington. He and another student decided on a collaborative project for their thesis and set out to execute it. On completion of their degrees, they had a general business license to practice business and design within the state. He and his partner both took out cash advances on their credit cards that totaled about \$12,000. They had enough to finish the drawings, put a down payment on a lot, and get the permits ready for construction. With the permit in hand, Jeff and his partner visited about four to five banks searching for a loan to start construction. Jeff said that with the permit in hand, presentation boards, and a thorough review of the demographics, the banks were a lot more willing to front the money for the construction. He mentioned that the first couple of banks weren't interested, but if you take it to four or five banks, through his experience, one will always take you. He also said that they needed to show the banks they had 20% of the overall cost up front. Though this was not orthodox, it seemed to profit the company well. They had repeated this many times to the point that it sent their firm in a rapid growth spurt over three years. They have moved offices to a space they've designed, and they are already planning their next move.

I had the extraordinary experience of touring Firm F with Jeff and his partner. In fact, he took me around to many of their current construction sites and finished works. The firm has an unusual culture. When I walked in at 9:00 am, only half of the employees seemed to be in the office working. When I asked about the work hours, Jeff replied, "We allow the employees to come and go when they please, as long as they get the work done, we don't ask for anything more. Some employees come in late in the day, and work till late in the evening. Other employees come in early and work until early afternoon." If that wasn't odd enough, upon entering their firm, I could smell the most wonderful aroma. It was the firm's cook. One benefit the firm provides is a cooked breakfast every morning from 7:00 AM to 9:00 AM. "Originally," Jeff said, "this was done to influence the employees to come into work earlier; it didn't work, but we continued it anyway." Apart from the regular benefits the firm has (health, dental, paid time off, etc.), they have very flexible hours. Jeff told me that awhile back, one of the employees decided to go on a three month European vacation. Jeff set it up so that this employee was paid while he was away. When he returned, the deal was to make up the hours. Jeff said that it was part of their employee satisfaction package and that this was how they treated their employees. On my observation, the employees looked overall happy and excited to work.

Firm F uses what the majority of firms I've interviewed uses for technology; Auto-CAD. They also use Sketchup as a way to model their work for presentations. They don't have a desire to expand to Building Information Modeling (BIM) yet, but they keep it in their sights for the future.

When I asked about how they came up with their logo, Jeff said that it was really quite easy. His initials are the same as one of the elements on the periodic table, as is his partner's. So they used this as their base for their firm name as well as the logo for their company.

Jeff started the company for the mere reason that he just wanted to see what he could do. He didn't start with any start-up capital, nor did he have a written business plan. He also did not consult anyone before starting the firm in the way of attorneys, accountants, or insurance agents; although he does use them now. He never made any short-term or long-term goals, other than that he wanted to sell one residence at a time, and he doesn't have a focus on where he wants to go in the future. He did mention that he thought the size of his firm is adequate, and that he wants to keep it where it is.

I asked Jeff about some of the particulars of the business. I asked if he knew what his overhead ratio was, what his average employee utilization rate was, and what his profit percentage rate was. He didn't know what any of that information was and said he left that up to his bookkeeper.

When I asked Jeff whether Firm F was a practice-based firm or a business-based firm it was pretty obvious, they are a practice-based firm. When I walked around with Jeff on some of the construction sites, I was able to hear him make some design decisions on the spot. I later asked him how he makes those decisions. He said, "I make them not by how much it will cost or save, but by viewing the decision as if I am the client myself. If I am the resident moving in this home, what would I want? Sometimes I lose a lot of money based on the fact that I put more quality into my projects. I want the client to be happy with the product, even if that means taking a hit on my part."

Firm F has great strengths in the area of design. They have lasted throughout the last three years doing a phenomenal job with firm growth and work, especially working the residential realm. They do have some very unconventional ways of conducting business and internal organization, however it has seemed to work for them.

A Look at Large Firms

Definition of a Large Firm

Large firms, particularly for this research, have 50 or more employees. Larger firms have been found to offer more multiple disciplines. In fact, firms with 50 or more employees are becoming increasingly multidisciplinary, from 60% of large firms in 2002 to nearly 80% of large firms in 2005. One of the factors for this may be that these firms are increasingly taking on projects that require multidisciplinary design

services.³⁷ In my interviews with the owners of these firms, they began to express why they decided to grow, and how they went about it.

Firm G

Gary started Firm G in Midvale, Utah, and he said his office was about as big as the conference room we were interviewing at. He said it all began with a classmate he had in undergraduate school. They were both in an honors design program together and were on the same team. As with any architecture studio, they got to know each other at 3:00 AM, building models and putting things together.

Gary went to graduate school at the University of Virginia. When he graduated from school, a company from Utah called on him and wanted him to work for them. At the time, Gary had been working for a firm in Charlottesville, Virginia. He said he really enjoyed working at that firm. The Utah firm persisted, and finally he gave in. His friend from undergraduate school heard about his move and contacted Gary. They started having lunches together and discussing the thought of starting a firm.

Gary mentioned that he really didn't want to start a firm, though if you met him, you can see the entrepreneurial spirit. Another friend of Gary also approached him with a project in hand; a Utah ranch needed a lot of work done. Part of that work was to complete a master plan that Gary was specialized in doing. So a couple of nights a week, Gary would spend drawing solutions for the master plan. He told me, "What I didn't realize was that he wanted me to do all of the work, and my partner would walk around the office while I did it." After a few weeks, his friend commented that they should start their own firm. Gary mentioned to him that he was already considering this option with another friend and said, "maybe the three of us ought to get together." So the three friends eventually got together and with the one project, started the firm. One by one they moved into the office. Gary was the last one to move in. He had a great job, had just built a house, and started a family. He said facetiously, "... the logical thing after you build a new home is quit your job, so that's what I did. We didn't borrow any money, we just opened the firm; bought a few drafting tables and started."

Gary refused to work out of his house. He was going to graduate school in Charlottesville and started doing some work on the side for developers around the Charlottesville area. He took the work home to his drafting table and found that he couldn't relax. He said he felt the need to work all the time. So he decided at that point he needed to isolate work from home. He wanted to go to a place, work really hard, and come home to be with his family. So it was from this experience in graduate school that he had decided working at home was not good.

³⁷ AIA, *The Business of Architecture*, (Washington D.C.: AIA, 2007).

Gary credits his decision to start the firm from his experience in graduate school. In school, he had five projects that he had classmates drafting for him. He was almost running his own business during graduate school. He said, "This is kind of fun, I can do this." He mentioned that as architects we sometimes look at this work as an art form. We have so much fun creating and designing that no one really expects to be compensated for it; but he said, "There comes a time when you have to get paid."

Firm G started with three employees and are now at 60 employees. Gary guesses they are probably the fifth largest firm in the state of Utah. They will do about \$6.5 million gross in design fees this year.

Firm G is a diversified firm. Gary said that out of necessity they have added civil engineering and surveying because they were not able to fully serve their clients. When clients would come to them with a project, the first thing needed is a survey, then a geotechnical engineer; among others. They couldn't start to draw buildings until they had that site information in hand. They would have to wait three months before they could start a project because the surveyors and engineers were so busy. Today if you were to go to the firm with a project, they could have a surveyor at the site tomorrow and within 3–4 days begin drawing the project. I asked Gary if he found it more profitable to have in-house disciplines, he said, "It was never motivated by money. It was a process of giving service to our clients and, by providing a complete service to clients, getting them excited about the finished product." Gary said that was always the case with the growth of the firm.

Firm G's stronghold is municipal work. They have done most of the city halls in the state, fire stations, and public facilities. He likes the fact that municipalities are not risky clients to work for; they pay their bills. He mentioned that one of the problems you have when you start a business is that you are pretty naive about knowing who to work for. As a firm, they grade their potential clients. So a potential client comes in to the office and the partners meet. Then they'll judge that client and type of work to see if they are potentially a repeat client, financially stable, and additionally ask for a retainer (usually \$10,000). As soon as the retainer is gone, they will bill again and keep billings and payments current. Gary said that when they started the company, they unfortunately needed to work for some developers, and that a lot of them are not really good payers. He said that you can really get yourself in a bind. Gary shared this experience with me, "We worked for one developer that really kind of sucked us in. He was a real strong member of my church. He stiffed us, and it about took our firm out. He owed us \$100,000 back when there were only four or five of us. I went to a friend and said, "Man, this is a killer," and my friend said, "Nah, this is the best thing that's ever happened to you." I said, "What are you taking about?" He said, "It will never happen again." Gary told me that you learn a lot from your failures, you learn

to work for certain people, and you learn very quickly that you can't work for people unless they are willing to pay.

Gary has learned that architecture services need to be seen as a business. He said that he used to be nervous to call and ask people for money, but now he can ask them for money at the drop of a hat. He said that the firm has scared off a lot of clients when asking for a retainer, but he also said that if the client is not serious about it, they wouldn't take the job. You learn very quickly that it has to be a business. He said that it was fun for the first few years working on various projects and he got so excited about it ... but unless you can take home a paycheck, you won't survive.

Firm G's markets are municipal, LDS Churches, schools, office buildings, retail centers, shopping centers, and apartment projects. Gary said that in this market, you have to diversify, you have to do some of everything.

Firm G started as an S-Corporation and remains one today. They have other corporations within the company that are LLCs. One of those companies offers construction management services. They started this company out as a C-Corporation and found that we were getting double taxed, so they changed it to an S-Corporation as well.

There are 14 principals at Firm G, and they have a perpetual leadership program within the firm. He said they have departments: interior design, civil engineering and surveying, architecture, landscape architecture, planning, and construction management, and in each one there are around 20 employees. When it gets to that point, it becomes difficult to manage, so you have to rely on others to manage it. As an example, they have two principals in the civil engineering department. These principals manage over 20 employees (out of 60 total employees in the firm) in that department. Gary, as the Chief Executive Officer (CEO), will go in every now and then and coach them. He'll ask them how their collections are going, or if they have their contracts in order, and try to pump them up a little. These departments manage themselves, but twice a month Gary gets together with all of the principals and discusses office policies. On the first Thursday of the month they will talk about office policies and how they interact with each other, how they service each other, and how they can work together better. The third Thursday of every month they review all of their accounts receivable and find what clients owe them money. Then they show who owes what and whose responsibility it is to collect that money.

Their theory is that they don't want any one principal to own any more of this company than the other fourteen. Gary compares it to the "Knights of the round table." Gary said, "Now that's unique as far as I know in terms of an architectural firm, because in other firms there is Aga Khan at the top, and he pounds on people, and he owns 70% of the stock and everyone else is mad and angry. We looked at why

other people left other firms, and we said, 'OK, how can we keep the best guys here?' He said it makes everyone feel like they have a responsibility and a voice in the company.

With so many principals, I asked Gary how they came up with their firm name and logo. He said that is started with the names of the the first partners (there were three of them). The third partner left and started the California office that didn't work out, so the logo became the names of the two partners. Then, as they added others they thought, "this name is getting too big, what we would rather do is be known by the original name." That way, the logo didn't necessarily have to tie to names, it becomes a symbol of the firm's reputation for the last 30 years. Gary said a lot of people know of the firm in the community, so it will remain as it always was. However, to indicate that there are others partnered in the firm, they have added a + after the title. This also indicates the other disciplines.

Firm G uses the most recent version of AutoCAD. They have not yet committed themselves to BIM. In the Salt Lake City valley, AutoCAD is heavily accepted as the main drafting software, so Gary expressed that for seamless relations between the consultants in terms of software they have maintained AutoCAD. Gary shared this experience, "I remember a firm here in Salt Lake that paid \$400,000 for a computer system that filled the entire office and none of their employees could run it. They had to hire a computer student from the University to come in and run it, but that person didn't understand architecture, and it was ultimately the demise of that firm." He said that was the reason they didn't want to be the first guy to buy the software.

Gary says the principals of the firm spend a lot of time thinking about ownership transition. When they would talk about it, they would invite all of the employees in to the meetings. He said, "We don't want you to be intimidated by what we are trying to accomplish here. We're trying to help you get to the place that we are all trying to get to." What's interesting is he has a couple of people that are trying to be the IM Peis of the world and think a much of their work is boring. Gary said they don't understand that you need to make a profit, and they let their egos get in the way of doing a good job for the client. Most of the firm's clients are straightforward and conservative about design. He said their projects are playful and fun, but they're not going to cost a ton of money. They will be conservative in expense.

Firm G did not start with any capital. Their first project propelled them through two to three years of business. When they did work on the ranch, they received a check on a monthly basis.

For the firm's marketing, Gary said, "We just put the word out. We have not been very good at marketing, we're just not very good at it. So what I have told the guys is the way you are going to market is by doing the very best you can and keep the

clients happy.” He continued, “If you’ll just do that, I guarantee we will always have work,” and they always have. Word of mouth, and repeat clientele and reputation is how they have acquired most of their work. Their firm will go for the cities’ requests for proposals, and the other disciplines will have their own projects, but for the most part, repeat clients keep them thriving.

Firm G tried to branch their office out into California which brought up the question of out-of-state work. Gary said they do periodically work outside the state in mainly California and Arizona, and occasionally in other states. I asked if they ever work with out of state architects and if so, is it successful. Gary, almost without batting an eye, said it was not profitable. In the firm’s experience, working with other architects becomes something of politics. However, if the client insisted, they would comply.

Gary feels the firm’s goal is to provide a very good service, and keep the clients happy. He says they are at a size capable of doing whatever they need to. It costs them \$500,000 a month to keep the doors open and there isn’t a desire to get any larger than this. “Part of this,” he said, “is the physical facility.” They have the whole floor of a three-story office building that they own, and another office two buildings down with other departments. He would like to see the firm stay in that mode of operation, and serve the clients the best they can. Gary mentioned he is really looking for the next generation to help define where they are going.

Firm G will generally charge a fixed fee. They will go to the client and try to do the design and the schematics on an hourly basis because they usually don’t know where they are going with it. This could change rapidly and cause additional cost. As soon as they identify the information necessary (the building, how big it is, and some of the components), then they will give the client a fixed fee for the remainder of the project. He mentioned that most of their clients are repeats, so they know exactly how much they will charge for a specific building.

Firm G’s overhead rate is about 167%. They have assigned productivity ratios to each employee. He said the draftsman will be at about 99% productive, the principal at about 85%, and the other employees at about 60%, depending on tasks such as writing proposals, getting work, and signing contracts. Most of the time, they will go to each employee and tell them their productivity rate and what they would like them to be at. Their financial software gives them the productivity rate every month.

Gary said that their software (he didn’t give the name) will be updated to a new software (both of which are not over the counter software). He said that the new software will cost them about \$40,000.

Firm G’s liability insurance cost \$90,000 annually. The policy is a \$50,000 deductible and \$2,000,000 coverage for each project.

When Gary started the firm, their liability insurance agent gave them recommendations for the best attorneys in the city. This did two things; 1) he found one whose insurance rate was lower owing to the reputation of the attorney, and 2) they were able to bypass the experience of having hired a less proficient attorney and established a relationship that has lasted since the beginning of the firm. They have been with this attorney ever since.

The biggest obstacle Gary had in starting his own firm was people not paying their bills. He said, “What happens is you’ll do a lot of work and then the client will say, ‘Well, I can’t close on my loan until you do this work,’ so you’re caught in-between, having to do another \$20,000 in work to collect the whole thing. Then when they drop you on your nose, that’s when it’s really difficult.” He went on to say, “The biggest obstacle is knowing who to work for. If you work for the right people, then it’s a breeze and it’s fun.” Gary said that at first, it was difficult to turn work down, but over the past few years, it’s been very easy to turn down work.

Another of the biggest obstacles when they started was lack of experience — a track record. They didn’t have anything to prove to the client that they were great. Now, when someone asks one of the young architects, it’s easy for them because they have a whole portfolio of work they can show. “Who is going to give you that kind of work? When we started, we had to work off other people’s credentials to get work.”

Firm G has been a success partially because of Gary’s business skills. He knows how to talk with people, he knows when a good business opportunity presents itself. The operation is set up in a unique way, and presents itself as a good opportunity for younger architects to take responsibility in the firm.

Firm H

Morten came to the United States from Denmark in 1956 to go to school. Although they offered good design academies in Denmark, he had the opportunity to come to the States and he simply took it. Morten’s first experience took him to Brigham Young University, where he worked on an undergraduate degree in art. Because that university did not teach architecture, Morten decided to finish his master’s degree at the University of Utah. After receiving his master’s degree, Morten found the U.S. to be his home and never returned to Denmark, except to visit family. Since 1971, Morten has established one of the largest architecture firms in Utah, dabbling in international work, with 85 employees and a private jet for client convenience.

Firm H has a current annual volume of \$18 million. Their areas of specialty vary from educational facilities to sport facilities, from health care to civic and government facilities. Firm H has eight partners, all of whom are focused in different specialties.

Their mainstay, however, is educational facilities; they produce a little less than half the schools in Utah each year.

Morten mentioned that the software they use is primarily AutoCAD. However, he also mentioned that they have begun using Revit software. That is the way CAD work is moving and they are slowly becoming familiarized with the future.

The culture of Firm H is one that is highly instilled in the employees. Morten explained that there is a philosophical difference compared to other firms. The firm is set up in teams, not in design studios, as he believes most firms are. The firm is set up in such a way that when a project comes in, a team is assigned to it and will take it through the design, drawings, and construction. "I always felt that it's much better for the architecture process. There is a team of several people on a project, and they see the project though, not just a sliver of it. That is the most important benefit." Morten also said that the clients sometimes have problems with the question of "Who is doing the actual starting and finishing of the design?" As Morten explains it, the culture in the office is one of teamwork and cooperation. They have various resources and encourage everyone to pitch in on a design. There is no star designer who feeds the crumbs or leaves only one person working late all night. He explains it as being part of the design, you're on the team from graphics to draftsmen to project architects; all get involved in it. I asked if one individual is involved in several teams, or if it is one individual per team per project. Morten told me that there is usually one team with a project manager and each project manager usually takes on two, three, or four projects at any one time. He then explained that within each team you might be working on one, two, or three projects simultaneously in various stages but within that team. The team consists of 2–6 people.

Firm H is an LLC. It was set up this way to avoid double taxation. It also holds value to some of the potential clients. Because of the LLC organization, it forces the shareholders to be professionals in that specific field. They wanted to represent themselves as being an organization of architects who own and operate the business. You have to be a professional to be the owner of the corporation. That's part of the LLC criterion.

Morten started Firm H right out of school. Actually, he started a design firm after school and once licensed, started the architecture firm. Morten started as the sole owner and hired on two to three draftsman. He never believed he had a strong point to offer clients, just a will to succeed in business. Morten worked during school as there was a requirement to have some experience before licensing. He worked at various firms at various levels so when he passed the exam, he could establish his firm.

Morten started on small commercial projects. He roughly recalls his first project being a small commercial bank, though he does remember his first client was a developer. This developer did mainly credit unions and banks.

Morten started without any capital, but he did start with a client. He told me that you don't really need capital. He said, "You open an office and put a drafting table in there and just go at it and hope you can bring the money in to pay the rent and yourself."

Morten didn't start with a written business plan. In his experience, no one ever started a firm with a written business plan. He said it was impossible. Morten expressed that when starting a firm, you are "running on the fly," and that your main goal is to do a job well enough to make money to get you to the next one.

I asked Morten how he came up with the name and logo for the company. He replied that it happened with the progression of the firm. When you start a firm, you want it to sound as important as you can. The name of the company was simply the first letters of the last names of the principals. At four partners, they felt it impossible for the clients to even say the name, and they left it at that. The logo had a lot of time spent on it, and they felt it was important. They had a lot of logos that evolved over time, but the latest one was developed at about the same period their latest firm name was. Morten didn't go into detail, but it was developed around various golden rules and geometric forms.

I asked if he thought experience and having a business plan before starting a architecture firm today was essential, or if he would do it the same way he did several years ago. He said that it is always good to have experience, and he thought most people that start firms have about five to ten years experience. He also mentioned he didn't think anyone needed a hard written business plan to make it. However, he did make it a point to say how important it was to have a niche in the market today. "There must be a particular segment of the industry that you have to become good at or a certain clientele that you are trying to woo and kind of flow with it."

When I asked Morten if he consulted any attorneys or bankers he simply stated that he did not, and he wasn't the best one to go to as a good example of starting a business. I asked him if he found there is a better time to start a firm. He said there definitely was. He said it follows the economy. He said, "... there are certain people like us that have spun off on their own and they're doing okay because the economy is good. Once it's not doing so good, they are the first ones who fall off the wagon, because they don't have the staying power. Most of my work involves development type work which is very cyclical with the economy." He says when the work dries up, it is the more established firms that remain because they can offer more.

Morten felt the knowledge he gained from universities he attended included good design concepts and backgrounds. He admitted it didn't leave him much understanding of architecture except a lot of theory and "cool talking," but he also said this is the reason for internships. He did mention internships offer only a little on the professional practice of architecture. I asked him if starting the firm was just about reading books and making decisions on your own. He said you just need to be savvy enough to deal with the legal issues, dues, and tax and accounting issues. He said it grows with you, and you learn by experience. If at one point you do not consult with the accountants, attorneys, and bankers, legal issues will bite you in the end.

Morten shared an experience that related well to their marketplace. He said, "We know our strengths, we know our weaknesses. That's something we spend a lot of time on. There is a need today to learn your market. You have to learn to associate with that market. We worked with HOK Sports on a couple of projects. One thing I learned from them is that HOK Sports was spending all their time at every NFL association gathering. They knew every team, every coach and every owner. One group was baseball, another NFL, another collegiate. These guys would spend all their time knowing their clients. So this is how you build a niche. HOK was probably the best example. They built the niche that was very narrow to sports facilities. But they knew everyone in the industry. We do the same thing with parks and recreation, physical fitness facilities, and fitness centers here in Utah. We do most of those facilities, so we sponsor the association and periodically we'll do classes and lectures. There are ways of deliberately targeting a market and you become known as the expert in that area." I asked, "If you find a niche in something, aren't you putting your eggs in one basket?" Morten affirmed that it was not. He said today the clients are sophisticated, you have to be specialized in a certain niche for the client to even look at you.

Firm H has one branch office in Arizona, but the Utah office does the majority of the work in the surrounding states. They largely choose not to have branch offices as they have had problems in the past. Today, they use their airplane to access the projects in other states and have found this to be a better resource than driving or flying commercial. Morten says it takes too long any other way.

Two recommendations that Morten gives to anyone starting a firm: 1) Just stay with it; 2) You have to have a service. You either have it or you don't, and you have to service your clients. Starting a business is taking a look at the overall operation of the business from construction administration to drawings, from construction management to filing systems. An office is a complicated animal, and you have to be good at it all.

Firm J

Firm J's information did not come from one interview, nor did it come from a single source. This information is a collaboration of executive and employee interviews that helped put some perspective on the establishment of the firm, the culture of large firms and their organization.

Firm J was established in 1939 by Jack. Jack had an interest in art but was discouraged from continuing on that path, as his father persuaded him that it didn't have a profitable future. Also through his father's persuasion, he took up architecture at Texas A&M University with the idea that once he graduated, he would work three years to gain experience and start his own firm. His idea of work experience was to work one year in each of the areas where he wanted to practice: residential, educational facilities, and commercial buildings. To start his marketing, Jack chose to live in an upscale neighborhood to surround himself with what would be potential clients. During the next 40 years, Jack designed residential and light commercial buildings and slowly evolved into more commercial, educational, and banking design. In the 1970s, the firm took on a new direction in healthcare and slowly integrated into international work in China and the Middle East. The name of the firm today simply derives from the name of the founder.

The formation of today's Firm J resulted from Jack's persistent wife wanting him to enjoy the "fruits of his labor." He decided to create a new leadership in the company by using an executive committee of three to control 50% of the company. The firm quickly thereafter grew to 150 employees. Today the firm employs over 1,000.

Since the rise of the firm, economic ebb and flows have influenced their decisions for their future. Once adapting to inevitable changes, Firm J was again growing and the leaders of the firm had to reorganize the company.

Firm J has planned, and continues to plan, transitions into new and unknown territory. They have branched into other states as well as other countries. Some branches are permanent and some temporary, depending on the type of work and need. The firm's markets have increased over time to include commercial, healthcare, sports, aviation, justice, hospitality, entertainment, and education. Firm J brings in over \$200 million annually.

One of the Executive Vice Presidents of the company said, that the founder of the company told him eleven years ago, "No matter how many good designers I employ, they cannot do their job if there is not a project for them to work on." Today, this firm believes, "We must first get the work. We must then do the work. We must be profitable." In the past, the firm received 85% of its business from commercial work. Today there is a much more diverse market making up the livelihood of the firm.

Firm J allocates 5% of their gross income towards marketing. Their slogan, “It wasn’t raining when Noah built the ark.”

Firm J is an S-Corporation organization for the same reasons as the other firms; they don’t want to be double taxed. Their management is organized with specialists at the top, stabilizers in the middle, and dedicated youngsters apprenticing. The specialists also act as mentors for the younger employees.

The firm has spread abroad into many states, however the home office is located where it was originally established. The firm was based according to client convenience, and where the majority of the clients resided. Today, because of the wide variety of work, this may not be the case.

One important concept of business growth I found at this firm was their concern to make leaders. The firm extends learning opportunities to the employees through many sources to perpetuate leadership throughout the firm. This has been key to their developing a successful firm. Resources include:

1. Calendar of company events
2. Directory
3. Continuing education program with focuses on profession, practice, and product goals
4. Forums — past, present, or forthcoming presenting new materials, construction, problems and solutions, and leadership issues
5. Green Design — LEED Accreditation, employee recognition
6. Help Desk
7. Resources — billings, benefits, frequently asked questions ... serves as a starting point
8. Values — mission, values, and goals
9. “Vision” — Management, marketing, and accounting software, serving as a way to log in work hours, viewing vacation time, other personal information for the employee

Firm J spends a lot of time and money on technology. Their major CAD software is AutoCAD, but they are spending increasingly more time generating projects in Revit. For new employees, there is a CAD workshop that initiates the employee to the standards of working with AutoCAD and their custom settings. Other software used include 3d Max, Adobe Photoshop, Corel Draw, Sketchup, among others.

In the way of starting a new firm, Firm J offers organizational value, as they seem to be more business-minded. They realize that this is a profession, a business, and they are in it to make money. At Firm J, all of the employees are considered significant in the contributions made to the success of the firm. From the executive committee to

the receptionist; from the principal architect to the draftsman, all are seen as instrumental in Firm J's future success.

V. Culture of Start-Up Firms

Organizational Culture

Cul•ture \ˈkəl-cher\ *n* **1:** TILLAGE, CULTIVATION **2:** the act of developing by education and training **3:** refinement of intellectual and artistic taste **4:** the customary beliefs, social forms, and material traits of a racial, religious, or social group³⁸

Culture can be a theoretically deep subject. It can stem from an individual's culture and expand into larger entities such as those mentioned in the definition above. In addition, culture has been defined and redefined only to learn that the more you look at culture, the more complex it seems to be. What is our purpose for defining the subject? Has it a place in our profession? If so, what can we learn from the existing cultures and how can we create our own in starting a design firm?

To define culture in another way, Clyde Kluckhohn's *Mirror for Man* defines culture as:

1. The total way of life of a people;
2. The social legacy the individual acquires from his group;
3. A way of thinking, feeling, and believing;
4. An abstraction from behavior;
5. A theory on the part of the anthropologist about the way in which a group of people in fact behave;
6. A storehouse of pooled learning;
7. A set of standardized orientations to recurrent problems;
8. Learned behavior;
9. A mechanism for the normative regulation of behavior;
10. A set of techniques for adjusting both to the external environment and to other men;
11. A precipitate of history.

With the various definitions, culture is not the overall outcome of these characterizations, nor is culture limited to only one. As Clifford Geertz explains

³⁸ The Merriam-Webster Dictionary, "definition of Culture" (Massachusetts: Merriam-Webster Inc., 2004).

culture, “... man is an animal suspended in webs of significance he himself has spun, I take culture to be those webs.”³⁹

When we enter the firm as an employee, we bring our own web structured culture. Our individualistic backgrounds and influences ripple through the firm’s culture. Whether or not it affects the firm depends on the other individuals or elements of the firm’s culture. Also when we enter the firm, immediately we are drawn into new ideas. After we are affected by the firm’s influence, we let it absorb into our web of characteristics. Some willingly adapt its uses and accept it as part of their culture. Others resist and try to find alternatives to balance the differences of cultures. Still others find ways to not only accept, but improve upon the characteristics and apply them permanently to an evolving culture. Dana Cuff expresses that the idea of a culture as being about outlining a group’s knowledge, beliefs, social organization, how it reproduces itself, and the material world in which it exists.⁴⁰ This then becomes a metamorphosis in that it does not stop at a certain level, nor does any one individual have directive totality in its growth. In the design profession, these ideas materialize into a firm’s culture.

One of the most relevant portrayals for showing a firm’s culture is their office atmosphere. In all of the firms I visited, their cultures were depicted and promoted by things such as photography, office colors, office materials, desk arrangements, clutter, tools, and office orientation. The following quotes are from firm principals. They give examples of cultural influence in the firm.

Principal 1: “We have an office breakfast every morning with our hired cook as an incentive to get the employees here on time ... we also try to allow the employees a flexible schedule. As long as our employees are able to finish the work, that’s the important thing.”

Principal 2: “Our office does not have a niche market, we take every project as an opportunity and challenge to try something new.”

Principal 3: “We hang updated pictures of our work in the front lobby from each discipline as a model to our potential clients of the work we do.”

To each of us in the work force, the environment we work in gives us a sense of place. We adapt to these cultures even though we may not like it or even know it. Largely however, it does persuade us to maintain our employment or seek it elsewhere; whether we work hard, or hardly work. Even with the most exciting work,

³⁹ Clifford Geertz, *The Interpretation of Cultures* (New York: Basic Books, 1973).

⁴⁰ Dana Cuff, *Architecture: The Story of Practice* (Massachusetts: The MIT Press, 1995).

if the environment in which you work is not congruent with your individual ethos, you will decidedly impose characteristics of your own to the mix, or you will leave to find an atmosphere more befriending.

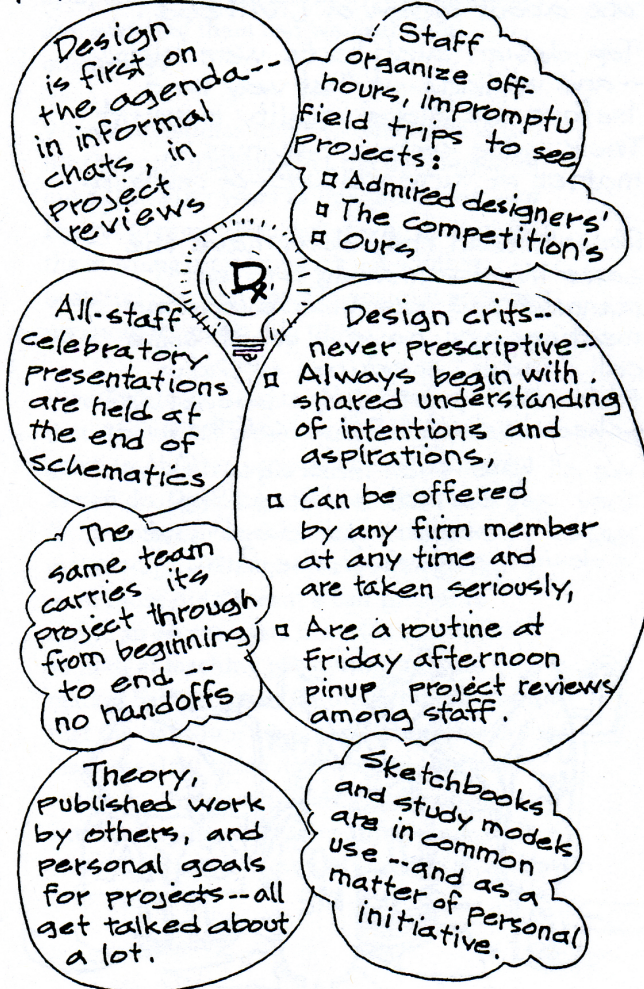
The office environment does not offer the only experience in culture as it pertains to design firms. Every element has its smaller elements which, in turn, is a culture of its own. Design groups, partnerships, construction administration, human resources, all of these areas and others within the firm contain their own culture. They each can have their own beliefs about how things should be designed, executed, and followed. At one firm where I interned, I was replying to Requests for Information. In doing so, I used the word OMIT instead of the word DELETE. As with all documents I wrote, the principal reviewed them and gave the OK to send it out. In this particular experience, he told me to correct the wording and send it out. With confidence, I inquired as to why the use of the word DELETE instead of OMIT when it meant the same. With even more confidence, he turned and replied, “That’s just the way we do it here.” In most cases as I have found, the culture of the firm is not to be understood as much as it is to be adhered to.

“Sure, we all got into this profession to do great design, but there are also hard-core business reasons to inculcate a design culture in your firm — like lowering staff turnover, or differentiating you from all the competition. Being technically competent is now only the price of admission.” ⁴¹

⁴¹ James R. Franklin, *Architect's Professional Practice Manual*. (New York: McGraw-Hill, 2000) p 3.11.

Figure 17. Diagram of Design Culture Influence

COMMON SYMPTOMS OF A FIRM'S DESIGN CULTURE



Note: From the Architect's Professional Practice Manual, "Nurturing a Design Culture."

Design culture is another element of firm culture. This is known to be the result of values and relies on the core qualities of management. If, for example, the concerns are about service, production, or being competitively priced are shared, the project teams priorities will correlate. James Franklin discusses design culture and how it trickles down from leadership of the firm and, "... like all quality management, is inculcated by walking the talk ... staff naturally respond to the values in action that leadership demonstrates, so if your goal right now is to upgrade design quality, then

demonstrate it.” Staff may also contribute to the design culture, and have been found doing so by adding some of these actions:

1. Staff organized field trips on weekends to inspect their own projects and critique the work of admired competition, and sketch renowned (or just plain pleasant) places.
2. Everybody in the firm feels free to offer design critiques, does so, and is taken seriously.
3. Formal design reviews — sometimes with visiting jurors and celebratory wine and cheese — are often held at the end of the schematic phase.
4. Routinely, staff (not management) hold Friday close-of-business pinup sessions to informally review design and talk design theory.⁴²

Design teams and studios also contribute greatly to the overall firm’s culture. Some employees’ only interaction with the overall culture of the firm may be in these teams. In one of the architecture offices I visited, I spoke with the founding principal who proceeded in telling me about the firm’s culture, “ ... we are a firm set up in teams, not in design studio, production, construction, etc. When a project comes in, it goes to a design team through design, construction documents, and construction administration, rather than having a project come in to a design studio, go to a construction document studio, and then to a construction administration studio, etc. There is a strong philosophical difference between them. I have always thought it is much better for the architect to see the project all the way through. So our culture is more of teamwork and cooperation of various resources. We encourage all teammates to pitch in.”

Another example of an element contributing to firm culture is continuing education. Mostly, I have only seen this on the large firm level, perpetuating leadership throughout the firm. Continuing education can be offered in different ways such as: (1) Intranet. A way for the employees to know the current events of the office, directory, forums, front desk, help desk, resources (benefits, office procedures), standards, values, vision, current successes, opportunities, and making purchases at the company store; (2) Certifications. Becoming LEED accredited, CSI certified in specifications, etc.; (3) Classes. Teaching technical methods in CAD, BIM, 3D renderings or other consequential software used throughout the firm can be beneficial to the efficiency and effectiveness of the work; (4) Mentoring. Offering a program that promotes growth and leadership, instilling the values of the firm. These opportunities better the employees’ skills and enable them to become more confident in their approach to the work. As you better the employees, you’ll better the firm.

⁴² James R. Franklin, *Architect’s Professional Practice Manual* (New York:McGraw-Hill, 2000).

The importance of having a firm culture is that it becomes part of the success of the firm itself. It contains within it a certain unity the employees understand and use to perform accordingly. In successful firms you will find, as I have, an organized and visible culture, one that is not only easily accepted, but is willingly accepted. When starting a design firm, careful consideration of how you want your culture to be can affect how employees view you as a leader, as well as how your firm will be perceived. Is it a sub-conscious clutter, or a sub-sentient success?

VII. Consulting Considerations (Support Structure)

Introduction

Consulting with other professionals appears to be uncommon when starting a design firm. The idea that we can study books to gain the same information other professionals know, just to save a dollar can be detrimental to the firm. However, knowing enough information about each area can aid you in asking the right questions of certain professional consultants when the time comes. Listed below are key consultants whose advice may be useful when starting a design firm. Two professionals in each area share their expertise and recommendations for someone starting a firm.

Lenders

There are many different and creative ways to come up with start-up capital (banks, credit cards, private funds, parents, friends, etc.). However, when it comes time to finding a bank, many things must be considered. I have interviewed a couple of bankers who have given me good insight in how to find a banker and acquire funding.

First, your relationship with the bank is key. To be more specific, your relationship to a banker is key to your business. Having a banker that knows you and your company, what you are about, and where you are trying to go, will aid you in getting to your goal. On occasion, bankers will move to other branches, even to other banks. Your ties to the bank will greatly depend on your relationship with the banker.

The key to finding a good banker is to be prepared. Some things to have in hand when approaching banks are: a business plan, a marketing plan, a current resume, and a projected operating budget. Leave a copy of each when you approach the bank. Even though you may not use the bank, they will have a favorable perception of you as a well prepared and organized business owner.

Many people only approach banks when they need a loan. If at all possible, try the approach that you may not need the loan currently, but in the near future as the firm grows. As you show the banker your plan and vision, he or she will be more excited

to help you achieve it. If your approach on the first meeting is solely to acquire a loan, it sounds desperate and the banker may not be so willing to help.

There are many types of loans. The most common for small business owners is the Small Business Administration loan (SBA). Bankers are more likely to give this kind of loan because if the borrower is unable to repay, the bank will be reimbursed for the loan by the federal government. The SBA loan requires at least 10% cash up front and quite a bit of paperwork. However, it offers a good start for business owners, as it can be a long term loan for 20 years or longer. Normally, the SBA loan is a loan that has interest tied to prime at about 2–2 3/4% above prime plus a prepayment penalty. In today's economy, getting any kind of loan is a lot more difficult, but for starting a business, the SBA has been the most recommended. There are many other types of loans that can be used creatively depending on your personal circumstance.

The bankers gave me an idea of what they look for in a request for a business loan. This is a list of items they use to help make their decisions on lending:

1. Loan request, consisting of the purpose of the loan, amount required, term desired, source of repayment, collateral available
2. History and nature of the firm
3. Updated business plan
4. Projected budgets
5. Financial information, consisting of a balance sheet/income statement, and a personal financial statement

Bankers see the business plan as a key indicator of your organization and vision. When talking to the bankers, they suggested that you should only make the business plan as long as you need. Far too often, they see business plans that have too much “fluff” and “hot air.” Make sure in the business plan that you remain realistic. It is a breath of fresh air for bankers when a business owner is pragmatic about his or her organization. More on the business plan will be discussed later.

When you go in to the bank, be yourself, be honest, be competent, and sell yourself. Remember that you are bringing the bank business. They need people like you in order for them to make money. There are five last elements that help bankers determine whether or not to give a loan to you. These are the five Cs:

1. Character. Who are you? If you are not someone to be trusted, then the bank won't deal with you. This criterion is by far the most important.
2. Capacity. What is your financial strength and track record?
3. Capital. How much of your own money do you have invested?
4. Collateral. What is available to support the primary source of repayment?

5. Conditions. What is the economy doing and how will it affect your firm?⁴³

Attorneys

Attorneys seem like such a necessary evil. The first thing that comes to mind when you think of attorneys is expense. So, do you really need an attorney? The answer is YES!

In the profession of architecture, all of our dealings are with the public. When dealing with the public, there are legalities. When starting a firm, the odds are against your success, having an attorney to aid you in your startup will increase your odds.

When looking for an attorney, it is recommended that you find one that has experience with start-up firms. You can find one of these simply by making a phone call to the local Bar Association in your jurisdiction. They will recommend an attorney that can guide you through a “beginners course” on business operations in your state. Though costly (\$150–200 per hour), they will help you understand what you need to legally set up a business in your state.

There are all types of attorneys, as there are all types of architects. You should look for two kinds: 1) one who understands small businesses, 2) one who understands contract law. Sometimes you may find one attorney that has both qualities, but the important thing is that they understand and care about you and your firm.

To find the proper attorney, some valuable resources to go to are, your banker, local AIA office, local bar association, friends or family, and/or your insurance agent. Sometimes your insurance agent will offer discounts on your insurance if you go through one of their recommended attorneys. Other times, when dealing with professional liability insurance, companies won’t insure you unless you have one of their recommended attorneys. Make sure when you do find a firm, you feel comfortable with its professionals and they are experienced. One way to determine, is if they share experiences and examples of other like firms and what they did, or what they should have done. Also, you can ask for references — and check them.

Once you have found an attorney you like, generally the attorney will request a retainer up front that will be used for so many hours per month, quarter, or year for their services. These services can be available anytime throughout your agreement. When you exhaust the retainer, you will normally enter into another agreement.⁴⁴

⁴³ Albert W. Rubeling, *How to Start and Operate Your Own Design Firm* (New York: Allworth Press, 2007).

⁴⁴ Rubeling, Albert W, *How to Start and Operate Your Own Design Firm*, (Allworth Press) 2007).

Starting your firm is one of the most important decisions you'll make. Having the right legal team behind you will greatly influence the success of your firm. It is very tempting to read up on the legal issues and try to save money, especially when starting a firm. However, some expenses early on save time and money later.

Insurance

Insurance is a gamble, isn't it? It is something that many don't like to pay because they don't understand the importance or have never needed it. However, the moment you do need insurance, you're glad you have it. Starting a business is equally a gamble, and if you are a good businessperson, you want to minimize the risk. In your case, you need to know what types of insurance are available, and whether you need it or not. Here are some types of insurance and a brief description of each:

1. General Liability — This policy covers losses due to bodily injury or damage to others. All medical and surgical costs due to accidents, along with the costs of defense, settlement, and trials are covered under this. This should be obtained as soon as you open your doors.
2. Completed Operations Liability — This policy covers you against a lawsuit by a client who used your services and was injured, or which resulted in property damage.
3. Professional Liability (Errors and Omissions Liability) — This policy covers you and other design professionals for litigation arising from losses incurred as a result of design errors and omissions. The coverage is based on your annual revenue and the types of projects you design. This is important and will be included on your business plan.
4. Automotive Liability — If you are planning on using your own vehicle for business purposes, you should have your premium cover business use. This policy covers other people's property, automobiles, people in other vehicles, and people in the insured automobile. In today's world, people love to sue, and attorneys look everywhere for monetary awards.
5. Fire, Flood, and Theft Liability — If you work from your home, you probably have fire and theft insurance. If you start your firm outside of your home, it is probably wise to get coverage. However, your regular homeowner's insurance may not cover business equipment, among other things. It is wise to double-check.

6. Overhead Expense Insurance — This insurance covers the overhead and fixed business expenses during your absence as a result of an accident or illness.
7. Personal Disability Insurance — This policy pays a certain monthly amount in the event you become disabled permanently or temporarily. This comes in both long-term and short-term policies.
8. Key Person Insurance — If you have a partner or associate that dies, it can affect the earning power of the firm. The proceeds of this policy are generally not subject to income tax, but they also are not a tax deductible business expense. This could help get you through a difficult time.
9. Partners or Shareholders Insurance — This generally is needed if there is a buy-sell agreement which allows the partners to purchase the deceased's interest in the company. If the buy-sell agreement does not exist, the deceased could leave a will making a family member the beneficiary of his share. This policy covers the agreement so you're not caught in a legal battle and end up having to pay the deceased's family.
10. Business Loan Insurance — This policy is generally required for covering the amount of your loan and is usually incorporated into the loan payments. In the event you die while still paying the loan, this policy covers the outstanding balance.
11. Term Life Insurance — Term life insurance covers a person for a specific time and then terminates. The most common period is five years. If the insured dies within that period, the policy is paid to the beneficiaries.
12. Medical Insurance — When you are starting your own firm, many times it may be possible to use the insurance of your spouse. Other times you can continue your health insurance through your previous employer. Still, another option is to contact the local AIA chapter and ask if there is a group plan. The premiums for health insurance generally correspond to the risk value of your company, the amount of deductible, the length of coverage, the amount of copay, and your age. This insurance can be more expensive than your professional liability insurance and premiums can change (almost always rising) constantly. It can be mandatory to make medical insurance available in certain states. However, medical insurance is one of the best benefits to offer when hiring employees.

13. Worker's Compensation Insurance — Worker's compensation is required, though coverage varies, in every state. Usually, you can obtain this insurance from an independent agent as well as from the state.⁴⁵

If you are not going to use professional liability (errors and omissions) insurance at first, then plan on it in the future. In many cases, when firms startup, they only do small and simple projects not requiring insurance. However, as time moves forward and the firm grows, it is a necessity to obtain some insurance, especially if you are planning on working in the commercial market. One way to work without insurance is to set aside profits and create an emergency account, one that is not easy to access. Also, put as many assets as you can in your spouse's name to make yourself more judgement-proof in the courts.

On average, insurance companies will charge for professional liability insurance up to 9% of gross revenue for new firms. This can be expensive, but so can litigation. Insurance can be one of the most expensive overhead items besides rent and compensation, so make sure that you don't over insure yourself. Also, being willing to have higher deductibles will decrease premiums. Only take what you think you may use.

Accountants

Accountants serve as a financial resource as you start up your firm. They can give you advice on organizational form, tax considerations, bookkeeping systems, business plans, bank referrals, etc. The cost for an accountant can differ depending on the time spent, what level of professional he or she is, their overhead, and any discounts made. Usually, the accountant's services will range from \$25–150 per hour, and for every \$1.00, \$.20 is added for benefits and overhead. When it comes to money though, you want to make sure you are making the most and spending the least. Relying on yourself may not be the best solution. Besides, you are a professional designer, not an accountant.

I interviewed two accountants who gave me insight on their services in aiding individuals starting companies. When someone is starting a company, the accountant will tailor their services to the needs and vision of the company. For example, I asked what organizational form would be best for starting a design company. Their answer was that it depended. The LLC and/or Corporation form is typically for those with one or more owners expanding the practice. It only makes sense to limit your liability, whereas sole proprietorship does not. Hence, you want to take measures to protect your personal assets from being tapped to cover business liabilities.

⁴⁵ Albert W Rubeling, *How To Start and Operate Your Own Design Firm* (New York: Allworth Press, 2007).

Choosing between the LLC or the Corporation depends upon the type of taxation you will want for your company. Both these forms of organization are similar. When you are taxed, it is based on the gross income you earn. When you are self-employed, you have to pay both halves of the tax. The S-Corporation is not subject to the social security tax like the LLC and partnership. The C-Corporation has a double tax and would not benefit a small company. In Figure 18, it shows each organizational type and taxation attributes.

Figure 18. Comparison of Organization Tax Attributes.

Tax Attributes	Sole Proprietorship	Partnership	S-Corporation	C-Corporation	Limited Liability Company
Ordinary Distribution to Owners	Drawings from the business are not taxable	Generally not taxable	Payment of salaries deductible by corporation and taxable to recipient	Payments of salaries are deductible by corporation and taxable to recipient	Generally not taxable
Dividends Received	Fully Taxable	Passed through to Owner- fully taxable	Same as partnership	70% to 100% dividend-received deduction	Passed through to Owner- fully taxable
Self-Employment Tax	Half of SE tax paid is deductible from gross income	Same as proprietorship	Not applicable	Not applicable	Same as proprietorship

Note: Information extracted from *The Architect's Handbook of Professional Practice*.

The accountant explained these organizations to me like this: If you have an LLC with two partners, and they make \$100,000 after one year; and each partner gives themselves a \$30,000 salary, FICA would take 15.3% of \$30,000 to taxes and along with it a self employment tax based on their salaries. On the other hand, if you have a S-Corporation company with two shareholders that make the same \$100,000, and give themselves a \$30,000 dividend, you still have to pay the 15.3% FICA tax but no self-employment tax. A C-Corporation pays the 15.3% as a corporation tax but then pays taxes on the dividends also. Some people have tried to get away from paying themselves a salary or dividend to avoid paying the taxes, but they will always get caught. As long as your salary is reasonable, the IRS will leave you alone. There are bigger fish to fry (like those who don't record a salary). One of the accountants said, "Pigs get fat, hogs get slaughtered."

A corporation requires more compliance with regulations, especially if you don't have any employees other than the owners at first. The corporation requires that there be a payroll made and requires reporting to the Internal Revenue Service (IRS), to the state you are in, and several agencies within the state. Also, there are requirements to pay taxes at certain times and if not met, could incur penalties. Typically, the reason a small business would form a S-Corporation is so they are able to establish a wage salary for the owners in the business with the applicable social security and Medicare taxes being paid based on that salary. With the LLC, the owners of the business are not employees. They pay taxes individually, including the taxes for social security and Medicare. So taxes are paid, they are just paid in a different way.

The benefits of forming one corporation over the other is purely subjective to the individual setting up the business. However, both the LLC and the S-Corporation are set up to deflect the double taxation that a C-Corporation has, whereas the sole proprietorship and partnership have a self employment tax. A benefit to forming the company as an LLC would be that the client would know that the company is led by professionals. There cannot be anyone in the shareholder's position in the firm that is not a professional in the industry. Secondly, the LLC has fewer requirements for taxation than does the S-corporation.

The benefit of forming one type of entity over the other would be that the profits being distributed by an S-Corporation are not subject to any social security taxes. With the LLC, the owners of the business are subject to "self-employment tax." Self-employment tax is considering the owner as both the owner and employee, they are required to pay both portions of the FICA tax. The S-Corporation only pays taxes on the salaries, not the dividends (saving 6.75%). So, what's the rule on salaries? Rather than the owner writing his own salary check for \$10,000 per year leaving the rest as profit, the unwritten rule is that you need to make a reasonable salary for your profession.

On occasion, the accountant will meet with the attorney as the owner sees fit. They will do this as the attorney files the incorporation and organization documents for the client. This is usually only done if the client is asking questions the attorney isn't qualified to answer, issues such as registering with the IRS, tax commission of the state, or registering with the unemployment division of the state.

There are questions about tax loopholes, such as forming a corporation in Nevada or Delaware. The clarification on that is that it may be more a privacy issues than a taxation issue. Regardless of where you are incorporated, you still need to have authority to do business in that state and pay taxes to that state. As one of the accountants said, "Loopholes are usually only big enough to get your head through ... if you know how a noose or guillotine works, you have the idea."

There are two methods of bookkeeping: the cash method and accrual method. The cash method usually results in paying lower taxes because you are typically having more coming to you than you received. The cash method does not recognize income until you receive it nor an expense until you pay it. If you are owed money and you haven't received it yet, it's nice not to have to pay taxes on it yet. So typically for a business that's profitable, the cash method of accounting will defer the tax to a later time when it's collected and the business isn't going to have to borrow money against its receivables to pay its taxes. Not all companies can use the cash method, but for those who can, it is to their advantage to do so. For a lot of small businesses it's also a simpler method for them when providing the information for their tax return.

The accrual method matches the income and expense to the percentage of completion in a project. So what are the benefits to the accrual method? It could be a benefit for a company that is losing money in the startup period. If this is the case, they can deduct their expenses before they pay them. If those unpaid expenses are larger than their uncollected receivables, then there could be an advantage. However, if the company is not profitable, there has to be some strategy as how to best use the losses.

In some cases companies will use both methods. Some accountants will recommend using the cash method to calculate the income tax and accrual method to provide information in making business decisions. This is beneficial when going to the bank to request financing; you want to have the best picture possible of how the company is doing, and that would be the accrual method. The cash method would only be used for tax purposes. Other than that, you would want to use the accrual method if you want to really understand the financial position of the company.

Today, approximately 80–90% of small businesses are using QuickBooks⁴⁶. That's an adequate and inexpensive software for a startup. Both accountants, and others I know with small businesses use and recommend QuickBooks. There is other financial software such as Peachtree, but QuickBooks seems to be the most popular. It's hard for a startup to go out and buy really expensive software that does a lot of things. Small businesses generally don't need the extras in large software packages. QuickBooks includes a time-tracking module for ongoing projects and makes it easy for information to be backed up or transferred over to an accountant to clean it up or use it for other purposes. The cost for this software ranges from the basic version (\$200 per user), to the industry specific version (\$350 per user). New software can be like a fancy car. There are so many features, that most of the time you'll never use them.

⁴⁶ Guy Morris (Morris and Dredge Incorporated), in discussion with the author, September 2007.

When I asked the accountants about business plans, they stressed the importance of having one. They said they found most small businesses that do have business plans don't document them very well. The most detailed business plans they've seen are from companies that are trying to get loans from banks because the banks insist upon it. Many times, the reason business plans are so scarce or non-existent in small businesses is because the ability to pay for elaborate plans is equally non-existent. Typically, the owner will do as much of it as possible using the internet for any helpful information, then take it into an accountant to look over and give them advice. It's an important time because you do need a plan, but it's also a cash poor time. So, we'll see that startup individuals won't typically devote lots of resources to business plans, but they do have ideas in their own minds about what they want.

Accountants will generally recommend banks over credit unions for obtaining loans. In recent years, credit unions have begun to compete for business loans. However, banks are designed for the very purpose of lending money and providing certain services for businesses. Credit Unions generally have a cap on what they can lend, and their services are not based around business clients, though times are changing.

The accountants gave me some advice on tax strategies and planning. First, a business needs to be compliant with everything they are required to do. A lot of business owners aren't going to know what they are supposed to do. They need someone to help them understand what to do to keep in compliance and not run into penalties. Secondly, most owners don't want to pay taxes, they want to know what they can do to take advantage of Internal Revenue Service to pay less tax either permanently or for the time being. There are things you can do to minimize your tax, but you want to be taxed. These accountants have clients that will say, "We don't want to pay any taxes." That tells the accountants they don't want to make any money. Accountants will work with a company, so if there are peaks and valleys in the income and expenses, the business will not be taxed on the ebb and flow but more on a steady pace so the company will pay less taxes. Thirdly, lunch is the cheapest kind of consulting. Use that as an excuse to talk to your accountant, attorney, banker, etc., and get their advice on business practice. It's one of the smartest strategies for great information.

Accountants have the ability, as should the owner, to perceive a business as successful or failing. Typically, the way they can tell is if the business has resources to pay their liabilities. If their accounts payable are greater than their accounts receivable, the business is sinking; the opposite, and the business is succeeding.

Finally, the last thing both accountants said to me as I was preparing to leave their offices, "The advice I would give a business owner that is starting out, is not to be too greedy right from the get go and think that just because there is cash in the account you can go on a cruise. The business owner should consider that for a period of time

it's more important to be conservative in their spending. If you can let the money work for you in the business, you are going to have a much greater chance at being successful." They said that a period of 3–5 years was a good determination of a constant, successful, and established business.

VIII. Setting Up a Successful Organization

Introduction

There are three main focuses I have learned that are the most important factors to the success of any business: 1) the client 2) the employee 3) the owner (you). In every successful business these three individuals have been identified and strengthened. At some point in the development and growth of your firm, you will be dealing with employee issues. This section is going to cover specifically the employee side of the business; how we can maximize the employee side of the business and make it so they are more productive, proficient, and effective. The intention is, that when you start your firm, you start on the right foot. The following two sections were framed with ideas that came from a seminar given by Brett Harward, "The Manifest Business Alchemy." I have seen these work in the businesses I have interviewed, worked at, and been affiliated with. I have taken these categories and fused them with my own experiences and research.

What I hear from my research and owners of small businesses as the single most important factor for success in business is accountability. Organizations that learn to have accountability within their organization are far more successful than companies that don't. The definition of accountability to a lot of people is simply looking at who to blame when something goes wrong, when in fact, it is exactly opposite of that. The definition of accountability is that everyone in the organization knows exactly what he or she has to do to contribute to the organization to meet its goals; period. When the organization doesn't meet its goals, accountability in the organization is when people look at themselves and say, "What can I do differently next time so that we don't miss our goals again."

5 Characteristics of Accountable Organizations

There are five characteristics that define an accountable organization:

1. The first thing is clear vision, direction, and defined business objectives for the company. If you don't have those, if you are missing any of these components, you will progressively get more vague as you work down the organization. "The most clear spot you'll ever have in the entire company is going to be at the very top." So the first characteristic of accountability is that everybody knows what the company says and what the company is doing.

2. Each employee should know the results that are expected of him or her in clear, quantifiable terms. There must be measurements in place. We as human beings need structure, when it doesn't exist, we make it up. The default measurement system in any organization, if you don't have a way of measuring is, "No news is good news." The same answer goes for most companies in determining customer satisfaction. If clients don't call and aggressively complain, the assumption is, they must be happy. This is a really bad measurement, yet it is the most common one most businesses use.
3. The organization's focus is on quantifiable results more so than mechanics. By focusing on how the job is done, they end up disempowering the employees. Instead of focusing on results they focus on going through the motions.
4. Focus is on introspection and constant change. When results aren't achieved, focus is on how we can change in such a way as to achieve the desired result next time. I remember some meetings at a firm where I worked. We would have constant "who to blame" meetings when a certain goal was not achieved. If we had a problem, the entire meeting was focused on pointing fingers at who was at fault. We usually pointed fingers around the table until eventually we would find someone that wasn't in the meeting, and we would all agree it was their fault. Only then, would we go on with the next topic. If, however, we had said each time we missed our goal, "Well, here's what I'm learning, so here's what I'm going to do differently next time so it doesn't happen again." Any organization with that culture could make incredibly rapid changes because they learn every time they stumble. Every time you don't hit an objective and every person changes what they did (it doesn't necessarily mean you fix the problem next time, but it does mean you will rarely make the same mistake more than once), this is one of the characteristics of an accountable organization. When results aren't achieved, it's an opportunity for the company to look at and find better ways to improve.
5. Approach opportunities to do something different. Often, the most successful companies are ordinary ones that have taken their road blocks and used them to propel themselves into an incredible company. They thrive on excellence because they've hit a wall and found some creative way to solve a problem. Most ordinary companies never get to that point because they keep repeating the same mistakes over and over and end up running in circles.

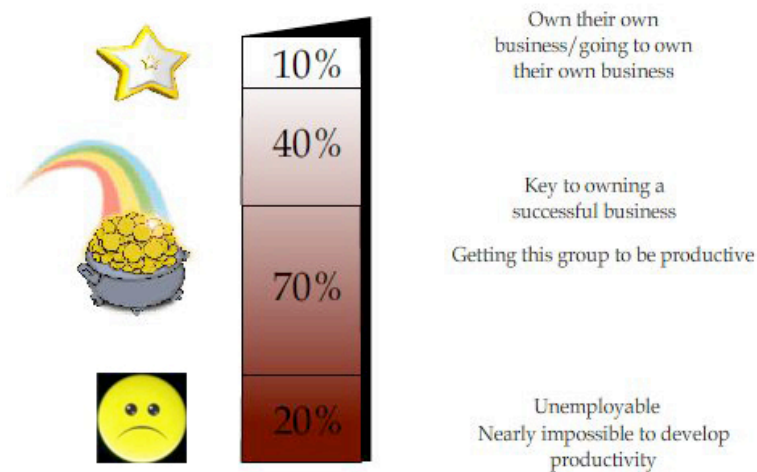
Hiring Strategies

Hiring employees will be one of the first items on the to do list if you are going to be anything other than a sole practitioner. Using techniques to help hire the right person

is more useful than making rash judgments. Knowing what to look for also becomes an aid in employee longevity and, ultimately, organizational success.

To be honest, there are many ways of hiring employees. One of the most common is what is called the star system of hiring (see Figure 18). If you took 0–100% as the capacity of people in the work force, the top 10% are the fantastic. These are the employees that you don't have to give any rules to, or any structure. If you say, "We want to finish the job by this date," he'll finish the job by that date. Those are considered the stars, or superstars. Most firms have hired one of these. Sometimes they hire them by mistake, and sometimes they didn't know what they were getting. When a firm hires one of these employees, it taints them forever because they'll say, "Man, if I had ten of them, I would be doing great!" The problem is, no company on the planet has a hiring system for these kinds of employees. There are just too few of them, and they're hard to hire. Most of these people own their own business, or they will own their own business. If you have one of these employees right now who goes off to run their own business, who will their clients be? Yours. Almost the only way to keep these employees is to make them partners. The reality, however, is that this is not where the majority of people are found.

Figure 19. The Star System



There is also another small number of people at the bottom of the list ... they are the unemployable. They are just not good employees. They don't show up on time, they're flaky, they steal, they cheat, they embezzle, and they have issues that make

them less than ideal employees. They actually have a word for this ... it's Mcjob.⁴⁷ The definition for this is requiring such a low skill-set that basically you just need a warm body to fill the position. Most architecture firms do not have those kinds of jobs. A good way to determine whether or not you are accumulating these people is if you are not making any money and you have no turn around. These people will never quit. It's really hard to identify this group because often they become really good at interviewing, they do lots of them, and they become experts at it. So, it's good to be able to identify these employees and have some employee turnover. One of the most common diseases of small businesses is that there is never any proactive turnover in the business. It seems the only time anyone ever leaves the firm is if the employee decides to leave. That's not healthy ... that should be a two-way street. Most employees don't work out exactly the way you thought they would.

This leaves the 70% in the middle. This is the pot of gold in the business. These are the employees who, when given a little bit of structure, a little bit of management, and some targets and goals, become good employees. They are reasonably competent people. Companies that are successful at this are the companies that will thrive in business. This is the category from which Microsoft hires their employees, this is where IBM hires their employees. This is the category where successful companies in the U.S. hires their employees. Not only is this the key to having lots of qualified employees, but the sweet spot of the 70% is the top 40%, the ones that are a little better than average. They are not the superstars, but the ones who, if I help, can become successful.

There are other things that are required to make this 40% of employees successful. Many successful firms devote a great deal of time to addressing the short term and long term needs from an employees' standpoint. Most times, when a firm wants to hire a project architect, they hire one from another company; one with 10 or more years experience. How many of those are there that don't have jobs? In today's market there are very few, if any. If the firm is going to hire one, it will be from another firm, and to do that, you will have to pay him more. However, what do you think there are more of, draftsmen or project architects? Draftsmen. So what happens, is that there is no plan for training or upgrading. Eventually, the draftsman learns what a project architect does and leaves the company to be hired on at another firm as a project architect. The actual move from one firm to another is what needs to take place in order for the employees to move up because in most companies what you are good at is what you're stuck doing. If you can take someone with a low skill-set and turn them into high skill-set individuals, they won't leave the firm.

⁴⁷ Wikipedia, "Definition of McJob", <http://en.wikipedia.org/wiki/McJob> (accessed November 15, 2007).

Six Important Issues

You cannot be an accountable organization without covering these six issues. They are key points that all business owners need to know. There are six things that almost all businesses may have an issue with, and if you do, it will cost you somewhere between \$10,000–100,000 in fines.

1. **Discrimination.** Title VII of the Civil Rights Act of 1964, The Americans with Disabilities Act, and The Age Discrimination in Employment Act, among others, means you can hire and fire anybody, and promote anybody for any reason except for: age, race, gender, religion, and disabilities. These are laws to keep you from hiring or firing anyone based on these five criteria. Generally, if you have 20 employees, discrimination law doesn't apply to you. It means you do not have enough statistical sampling to prove that you have the ability to discriminate to make a case. If you have 21 employees, you are held to the same discrimination standard as IBM or Microsoft is. If you have more than 21 employees (which you won't when starting off, but will if you decide to grow), I suggest you keep track of the records of people who have applied for jobs. This becomes the base criteria, so make sure you implement an application process. Put together formal applications and track not only people you've hired, but people you haven't hired.
2. **Drug and Alcohol policies.** In the design industry, this may not have as big an impact as in other industries, however, what is important here is some companies don't have any policies at all; a common mistake in businesses. There is a naïveté about drug and alcohol policies and people just don't know about it or recognize it. Companies may have a policy about drugs and alcohol, whether it's written down or not, but the importance of having a written policy is for insurance. Here is why. Most insurance companies provide coverage against major incident that might affect your company: car accidents, workers compensation, and general liability issues, etc. Every insurance policy contains a clause that covers the commission of an illegal act. What will it say about the commission of an illegal act? If you are robbing a bank and you get into a car accident, auto insurance will not cover you. It's in the policy. So here's the problem, if we have not made reasonable efforts to say that we are against abuse, then we have a problem from a drug and alcohol standpoint. An important responsibility of a company is to make sure they have made a reasonable effort to ensure their employees don't do things while they are impaired.
3. **Sexual Harassment.** What does it require in order for sexual harassment to take place? There has to be a complaint made. It is an unwelcome contact of a sexual nature, either physical or verbal that causes an employer to say, "I'm uncomfortable with this." The range that constitutes sexual harassment is broad and diverse. However, as a general rule, it is making someone else feel

uncomfortable. The moment the complaint is brought to the company's attention, what do you suppose they generally do? They ignore it, or they even make light of it, "Oh Bob? He's just joking, he doesn't really feel that way." What happens, though, when the complaint is brought to the surface again is, now they have a sexual harassment problem. One of the points being made here is to be sure to train management that anytime there is an issue that revolves around sexual harassment, you take it absolutely as seriously as a heart-attack. Escalate it to the top of the company and investigate the situation. Take it that seriously.

4. Safety Training and Policies. This doesn't affect design firms as much as other companies in the construction industry. However, this is such an easy problem to handle and it's simply an administrative issue. Management must take the time to make sure people are in place, training is being given, meetings are set up on safety and priorities of the organization. If you do this, you will save lots of money in employee down-time.
5. Overtime/Wage Violations. Some design firms (this always, always, comes back to haunt business owners) will hire employees and pay them under the table. I have not been a part of it, but have seen it. Also, wage violations usually happen during overtime work. There seems to be a big lack of understanding. It is a federal law that overtime is calculated on a weekly time period. It is calculated over a seven day period and is anything over 40 hours in a 7 day pay period. There is no agreement you can make, there are no deferrals you can make to get around the overtime laws.

There are some employees who are exempt from overtime wages such as highly compensated employees and managers. However, just because they are on salary doesn't mean they are highly compensated employees. A manager who is paid \$40,000 is not necessarily considered exempt from overtime wages. It is not a highly compensated position. A highly compensated salary is typically about \$60,000 or higher. On occasion, if in a management position, making \$40,000 will be considered highly compensated. But, if they are in management position, they have to actually manage someone.

Here's an example of a common mistake: An employee that doesn't have any vacation time and has graduation to go to will ask, "Can I take off work Friday and make it up next Saturday?" The owner says, "Sure, no problem, I'll pay you for the forty hours this week and I'll pay you forty hours next week, and we'll be good even though you worked thirty hours this week and fifty hours next week." This is not legal. What generally happens is that six months down the road the employee is disgruntled and looking back and wants to get even. Usually, with other cases (sexual harassment, discrimination, etc.), an employee is limited because he or she has to spend lots of money to hire attorneys. However, how

much does it cost an employee to file a wage violation? Nothing. It costs \$0. When the labor commission comes in, what do they look at? They look at all of your books and records. There is a two year statute of limitations on this law, and they will start with the people that no longer work for you. They will call up all the employees that no longer work for you and ask, “Do these guys owe you any money?” The employees will say, “Of course they do!” If you have someone that worked overtime, pay them the overtime.

The main point in this section is; don’t try to shortcut compensation. If you are not sure if you need to pay the overtime, just pay the overtime and put your policies and procedures in place to restrict the employees from working overtime.

6. Taxes. This is primarily the reason for having an accountant as covered earlier. There is no one worse on the planet to owe money to than the IRS. They don’t have to follow any process, they don’t have to use a report system, they can come in and start seizing assets. Dealing with the government can be a nasty, nasty thing.

The Firm’s IQ

Every firm has an IQ. Either the IQ of the firm rests solely on the decisions of the leadership, or is derived from the contributions of the overall firm. One of the keys to working with employees and making relationships successful is, if you use your employees well and use their insights in your decision making, your organization will become smarter as it grows. Most organizations don’t do that, they are limited by the manager’s IQ. IQs are like circles, the way most people view their IQs is if they draw circles bigger than the other person’s. This is particularly true with management, and it is also the case with how the employees view management. They tend to put someone else’s circle inside their own. What does this mean? It means they know everything the other person knows and more! If we approach decision making with that in mind, we will never make the best decisions because we will miss out on all of our employees’ input. So if your employees have insight on what your clients might like or want, those become incredibly valuable.

When the space shuttle exploded over Florida almost twenty years ago, there were four primary contractors working on the space shuttle. When the accident happened, these contractors had no clue what had happened that day. Within 24 hours, even within minutes of the explosion of the space shuttle, the stock of all four contractors plummeted. All of them dropped 3% within the first twenty minutes. Although by the end of the day when the stock plummeted by 5%, three were able to rebound and come back and close within 2% of where they started that day. Over the next few months those companies recovered while NASA did all of the research and studies. The fourth contractor’s stocks however, continued to go down. The day the explosion

occurred, this contractor's stock went down 12%. Two months down the road people were shocked at what NASA found. The entire cause of the space shuttle explosion was the fault of the company that made the "O" rings on the engine that constricted when they became cold, then became brittle and broke.⁴⁸ Somehow, the group buying the stocks knew something that no one person knew at the time. So, the question to ask yourself, "How do I accumulate the IQs of the group? How do I ask good questions? How to I respect what they say?" If your attitude when someone sees something differently than you do is, "He must be missing something," then you will have missed something great. The approach needs to be, "If they don't agree with me, then I must be missing something." If you take this angle, you will greatly improve your ability to make decisions. If you have that kind of leadership in the company, you will make a dramatic difference in your culture.

Employee Productivity

There are four things that will increase the productivity of your employees.

1. Develop written policies and procedures. A man by the name of Jack Welch was the chairman of G.E. He is probably the most influential man in modern management. By last count, 140 of the fortune 500 CEOs or presidents were Jack Welch managers. He said at a seminar once, "If I ever get a question that I already know the answer to, I have failed as a manager." He explained, "Because if I know the answer, I should have trained the managers below me to answer that question. The only questions that I should ever get, are the ones I need to take time on to figure out how I want to approach it. Once I figure that out, I will train the other managers and staff and should never have to answer that question again."⁴⁹ Most managers make those decisions verbally and answer them over and over again and waste huge amounts of time doing so. Rather than pushing things down the organization, things get pushed up the organization.
2. The firm's policies and procedures should ALL be in writing! When you define the rules, everything becomes clear. Do not say, "Do monthly accounting reports." Instead say, "Prepare monthly profit and loss statements and balance sheets. Have it on the upper right hand corner of owner's desk by 3:00 PM on the 4th business day following the close of each monthly period." Be specific. If you are going to put something in a job description, put in a time, measurement, and a specific result that you want.

⁴⁸ Daniel Gross, "The Disaster Market", <http://www.slate.com/id/2086811/> (accessed December 10, 2006).

⁴⁹ Brett Harward, "The Manifest Business Alchemy", seminar attended by the author (attended October, 2007).

3. After you have tasks that your employees are responsible for, go through your true-to-form performance measurements. Develop performance measurements that reinforce different angles of the job. Some of the areas that you might want to cover with your employees would be productivity, quality, initiative, customer satisfaction, profitability, volume, safety, and timeliness. The key is to identify a few areas, maybe 2–4. Often, if you push too hard in one area, other areas are going to suffer. So you need to balance things and push from different angles. Pick two or three of these to work on for each employee and it will make things a lot easier to manage.
4. The last thing you should do is establish your communication channels. When you have meetings, give reports and reviews, ask, “What’s the reporting structure, how do we get information from our employees, how do we get information to our employees?” If you do this, you’ll know exactly what your targets are and what your results will be. Here’s a rule: When humans are aware of deficiencies, they tend to self correct. If they do not self correct and continue to make the same mistakes, most of the time they are not even aware that there is a deficiency. When there are no measurements in place, no benchmarks in place, and no standards, people make up their own structure.

Wage/Compensation Strategies

When an employee decides he is due for a raise, he or she will generally ask at the employee review. Disconnect reviews from giving wage increases. Reviews can drive wage increases if they have shown an increase in productivity, but employee reviews are more for taking inventory. Do you suppose successful companies are rewarding their employees because they’re making lots of money? Or are they making lots of money because they are rewarding their employees? It’s the chicken or egg thing, but in this case it is the second one. If you are waiting to make lots of money in order to award employees, it’s a problem setup and you’ll probably never get there. Here are some rules for compensation framework:

1. Establish pay structures in writing. Do not have verbal conversations about pay structure. You don’t want it to become a “he said, she said” thing.
2. Simplify pay structures across similar jobs. Don’t do a different deal for everyone. This has become an increasingly important topic because the employee market has become so tight.
3. Have 20–50% of compensation be performance driven.
4. Develop bonus structures that promote individual performance, team performance, and company performance. In fact, most bonuses are structured

around how long the employee has worked at the firm. Some firms will give a bonus at the end of the year, generally a Christmas bonus. However, when this is done, it does not increase the productivity of the employees. You are simply giving that money away. The owner's mentality is to work hard and invest all sorts of time, money, and energy without making any kind of compensation, so that down the road he/she can have a profitable future. The employees don't have that kind of mentality. They are concerned about making the next mortgage payment and putting groceries on the table. They will respond far more to the opportunity to making \$20 extra a week, than to making \$1000 extra a year. You will get an increase of productivity if you shorten the time frame, make the goals achievable, measurable. If they don't know in advance that "If I do this, I get this," it's not an effective bonus program. If the employees are always surprised by the bonus, it is not effective.

There is something in business called Parkinson's Law⁵⁰. It works something like this: If you have an hourly paid employee, it is usually because that is the most simplistic way of compensation. If you pay the employee by the hour, and you have 8 hours of work, how long will it take them to do the work? Eight hours, unless you pay them overtime, and then it takes 12 hours. If you have a job that takes 4 hours to finish, how long will it take the employee? Eight hours. The job will always expand to fill the amount of time they want to take. If you are paying them hourly, the incentive is to take the most amount of time. The more hours they take, the more money they make. If there is no incentive to do the work faster or more efficiently, to use less materials, or to have a higher client satisfaction, at some point the incentive becomes maximizing the hours to make more money.

5. Smaller bonuses should be tied to shorter time frames. Some suggestions for performance driven compensation are listed to give a starting point for employees.
 1. The suggestion for the firm's administration is 80% of their compensation be wages, 10% be based on their personal performance, and 10% based on bonus, which is the group or company performance.
 2. For production people, the recommendation is 60% of their compensation be wages, 25% be on personal performance, and 15% be based on team or company performance.
 3. For marketing or sales, the recommendation is 40% wages, 50% performance, and 10% on company or team performance.

⁵⁰ Wikipedia, "definition of Parkinson's Law," http://en.wikipedia.org/wiki/Parkinson's_Law (accessed January, 2008).

One more thought about compensation. Arrange your bonus structure so it comes in ranges. Have three or four bonus ranges that come in categories. Twenty percent of your employees should be in your top category. If you have categories no one ever achieves, get rid of them. They will be demoralizing. Only 20% should be in your bottom category and every one else should be in-between.

Have you ever wondered how they get the whales to jump over the bar at Sea World? The jump is secured at 15 feet in the air. They start with the bar at the bottom of the pool, and every time the whale swims over the bar they would reward the whale with food. Once the whale gets pretty good at doing that, they will move the bar up a little more, and again reward the whale with food when it swims over the bar. They continue to raise the bar. If the whale swims under the bar it wouldn't be rewarded; only when it swims over the bar.⁵¹ Over time, the whale jumps over high bars, knowing it will be rewarded with food. Employees are very much the same. You need to start at a small incremental level, and slowly move the bar up until they accomplish their goal.

IX. Business Planning

Business planning is vital to a successful business. Without a business plan, there is a higher likelihood of failure. In our profession, planning the business is much like designing a building. Every building begins at the foundation and throughout the design process changes constantly until achieving the finished product. The business plan is also much like the infrastructure of the building; it is never exposed to the outside, but is extremely important to the functionality of the building. This is true with the business plan. It organizes the workings of the company, directs it in an undeviating course to the desired goal, and becomes a document vital to the functionality of the business. Throughout this section, ideas are given to help prepare an effective business plan to use to jump-start your firm.

The Five Laws of Business Success

What predicts success in business? There are five predictors or laws that indicate how well your business will do, and how successful it will be. Every business should comply to these laws one way or another:

1. The Law of Frequency. This deals with how fast a business can self correct. Most businesses take too long in failing. They don't course correct fast enough.

⁵¹ Family-Vacation-Getaways.com, "Shamu the Killer Whale Pictures and Training Techniques", <http://www.family-vacation-getaways-at-los-angeles-theme-parks.com/Shamu-the-Killer-Whale-Pictures.html> (accessed December 5, 2007).

2. The Law of Vision. If you don't have a picture of where you want to go or how you want things to look, or communicate that clearly, you'll never get to where your destination.
3. The Law of Perception. This happens a lot in marketing. Businesses don't see the importance of how other people see you. How do your clients see you, how do your employees see you, how does the market see you?
4. The Law of Accountability. This is the organizational side of the business that we have already talked about. If people don't know what their jobs or their responsibilities are, or how often they are measured, people dramatically under perform their potential, because they are not quite sure what is expected.
5. The Law of Leadership. Once you have the first four parts in place, almost everything else is based on leadership capacity. This goes for both the managers and the employees.

The Purpose of a Business Plan

What are the objectives of business planning? There are five primary reasons for having a business plan:

1. The first reason is to improve management focus. When there is a vision in place, management knows where to focus its attention. Without a vision, or focus, or progression, they will tend to the brush fires. An analogy to a business without a business plan is like driving a car using only the rearview mirror. You can see everything behind you and the things that hit you, but if no one is looking forward, you're just going to keep hitting things over and over again.
2. The second thing is to establish the shareholder's expectations of the business. Almost always, owners will start off with a vision. When things don't go as planned, the work becomes more of a job. Owners start coming in every day to do their job and ultimately lose sight of what their expectations should be. If you were to invest in IBM, you want to know what you will get out of it before you invest in it. An important question for a owner of a business to answer is, "What am I going to get from my investment of time and money? How do I get a return on my investment?"
3. Establish a framework for organizational accountability. We have already discussed this topic, as well. It is essential to employee productivity and efficiency.

4. One of my favorite things about the business plan is it unlocks creativity. When you are marketing, you can't rely on the silver bullet. You will have to come up with 20 different ways to sell your work, and if you do, 17–18 may fail, but 2–3 will work. Then you repeat the process, and pretty soon you have 5–6 ways of selling your work, bringing in revenue, and the business starts to thrive. With the business plan, what stays consistent is that the goal never changes. If you have a target of bringing in \$2 million a year in revenue, that doesn't change, you don't move that target. Someone who uses a business plan often will go through ten times the changes in business decisions to someone not having a plan will do. Business plans force companies to become more proactive rather than just reactive. Rather than dealing with problems, they are solving issues down the road.
5. The last one is to learn the critical thought process. The business plan gets the owner thinking and treating the business entity as something separate from themselves. This entity has a standalone value, and you can sell it at some point. Without a business plan, owners tend to become the business. If they ever wanted to sell it, the business would collapse.

The Most Common Reasons Business Plans Fail

1. People Procrastinate. This is the number one reason by far. Probably less than 5% of all small businesses have a business plan to operate their businesses.
2. Idea Inflation. Many business plans come across as being more of a marketing plan than a business plan. Owners think of everything to make it sound positive. Most investors, including banks, want to know who has done this type of work before. Generally, most business plans will say that they are the first, that this is a brand new idea and nobody has ever done this before. If this is the case, this person probably didn't do enough research to find the others that have done it before or others that have tried and failed. It's not a bad idea, it just means you ought to know who has done this and what they did. It's funny how most business owners feel like they need to reinvent the wheel. Often people build linear models with no basis for their numbers, no other model to follow, no other cases to look over.
3. Fear and Dread. A lot of times someone will start a business plan several times and they just don't know how to get there or where to go.
4. Spongy and Vague Goals. A lot of business plans have a vision statement like, "Our goal is to be the best architectural firm in the state. We want to provide superior service, and we're committed to providing the best ..." How is this defined, what does it mean, how will you know you've gotten there? A better goal

would be, “After we do so much work, we will take a survey from our clients and have them rate us on a 90 point scale. We want to get 88 out of 90 points on the scale as our target.” That is tangible.

5. Diluted Priorities. A lot of business plans have too many things that will never be accomplished. If you have 45 things to do in your business plan, it is too many. Great business plans are really simple and concise and will say, “For the next 6 months the things we will be working are these, and our highest priority is this. After that, our two year priorities are this and this.” Be very specific.
6. Hockey Shaped Growth Projections. This is especially true in small businesses. A lot of times in a business plan, there will be the projected growth that goes something like a hockey stick, an all of a sudden growth. Where does the hockey stick always turn? Next year. After only making a 5% annual growth, the hockey stick curve will always be next year. It always has this optimistic or unrealistic goal.
7. One of the worst mistakes in writing a business plan is too much information. One of the ways you know you have too much information in your business plan is by the way you describe it. If you describe it as, “Yeah I have a business plan, it’s 45 pages long,” (as if the 45 pages makes it somehow worthwhile), it’s too lengthy. What this says is that you won’t be using it very often, because of it’s length. What this becomes is a 45 page marketing brochure full of all kinds of stuff that’s not real or true.

The best business plans are four to five pages. They should be simple, concise, and they should be working documents. One characteristic of business owners is that they are generally optimistic, otherwise they would have never started a business. There is so much risk in running a business that pessimists will generally not jump in and start a business.

Strength Weaknesses Opportunities Threats (SWOT)

SWOT stands for: Strengths, Weaknesses, Opportunities, and Threats/Trends. Of these four areas, business owners are most likely to focus on the strengths and opportunities. Consequently, most business plans are about 90% strengths and opportunities and business owners really stress those for the most part. If an owner can see things for what they are, they’ll have a much better business. They will also see a lot of market opportunities. The key is, you don’t need to write a business plan to write down the opportunities. That’s not really the purpose of the business plan. Of those four things, the focus should be on weaknesses and threats. As a matter of fact, the recommendation is that you completely invert the normal ratio that most business owners use for writing a business plan. That is that 90% of your business plan ought

to be focused on your weaknesses and threats in your company. Focus on the weaknesses and threats of your business. If you do that, your document will be far more valuable and meaningful to guide you in your business.

The last thing is trends. To give an example: If you are designing retirement communities in Utah, would it be important to know how many people are over sixty-five in the state of Utah? The census department has projected that in the year 2030 36% of the U.S. population will be over the age of 65. The census department has also projected that in 2030, 15% of the Utah population will be over sixty-five. Compared to the other 49 states, Utah will have the lowest percentage of people over sixty-five. The second-to-the-last state will have 19%. There is a 4 point drop between Utah and the forty-ninth state. Utah has bigger families than any other state in the nation, which impacts the median age. If you want to design retirement communities, is Utah the market you want to go to? If you are able to find that out, the great big retirement designers are sure to know also. However, what's the last state they'll probably come to? So, in your business plan you might say, "I think this will be an under-served market because all the big players are going to avoid Utah and I want to design smaller retirement communities in Utah. Is 15% still a decent size market? Absolutely. Could you have a strategic plan and actually use that trend and use it in your favor? As long as you know what it is.⁵²

It's important to know the current trends. You should know who is using your designs, buying your designs, selling your designs, and the life cycles. If you know those trends, you are better able to come up with a long term plan of how you can make your company fit into those trends.

Mission Statements

The first thing that you should address when writing a business plan is creating a clear and concise mission statement. A mission statement defines the context of the business. Mission statements cover why this business is in existence, what you do, and what the primary value is that you bring to your customers. The biggest mistake people make on mission statements is making it about the content of what they do, not the context. What is the difference between content and context? Content is what you do, context is why you do it. A mission statement should be about why you do it. It's about why you're here, it's about what your company is committed to, and what you bring to your customers. What do you want them to experience or feel, what is the difference you want to make? It's not about what you do. What you do becomes very restrictive as a mission statement, and to be honest, it doesn't motivate you to do anything.

⁵² Brett Harward, "The Manifest Business Alchemy", seminar attended by the author (attended October, 2007).

There are a couple of examples Harvard gave to support the mission statement philosophy. Try to guess what organization these mission statements belong to (the answers are at the bottom of the page):

1. Our Mission — At _____, we work to help people and businesses throughout the world realize their full potential. This is our mission. Everything we do reflects this mission and the values that make it possible.[†]

Our Values

1. Integrity and honesty
2. Passion for customers, for our partners, and for technology
3. Openness and respectfulness
4. Taking on big challenges and seeing them through
5. Constructive self-criticism, self-improvement, and personal excellence
6. Accountability to customers, shareholders, partners, and employees for commitments, results, and quality

2. Mission Statement — To Make People Happy[‡]

Core Values

1. No cynicism
2. Nurturing and promulgation of “wholesome American values”
3. Creativity, dreams and imagination
4. Fanatical attention to consistency and detail
5. Preservation and control of the _____ “magic”

Does Microsoft’s mission statement say anything about software? They do mention the word technology, but that is as close as they come. It’s not about what they do.

If Disney were to get a fantastic script for a horror film, is it going to go up under the Disney brand? If you go to a Disney movie, in the end you are going to be happy, they’re not going to kill all of the dogs and make a coat, and the bad person is not going to win. Disney also has a way to get \$6.00/hr people to be perfect, and their attention to detail is phenomenal. They can get nearly minimum wage people to produce phenomenal results at Disney.

These examples of mission statements of great companies are a starting point. You know if you actually have a good mission statement when you know who the

[†] Microsoft

[‡] Disney

company is by hearing the mission statement, even though it doesn't have anything to do with what the company does. Great companies have great mission statements. Take the time to sit down and ask yourself, "What do I want to be, what do I want my client's experience to be?" Keep the mission focused on context, not content. Harvard said, "Context is what sets the climate for growth." The context of Arizona is that it is a hot desert, arid, and it doesn't get a lot of water; that is the context of Arizona. The content of Arizona is that it has cactuses, rattlesnakes, and lizards; that's the content that grows there. As you define the context of your business, that will determine the content of your business, your employees, your services, and how you are perceived in the market place.

Three Points to an Effective Business Plan

There are three points to an effective business plan:

1. An absolutely clear description of where you are at. List your weaknesses and threats, then the rest of the business plan is simply your strategy for getting from where you're at to where you are going.
2. A clear description of where your business is going.
3. A clear strategy for getting there. If you list all of the things your company is doing right, how can you determine your strategy for the future? You need to be able to say, "Well, we haven't figured out the marketing thing yet, and we still have quality issues and waste issues." When you see these things, you know immediately where you need to go to take your company to the next level.

Components of a Business Plan

1. The Executive Summary — This is simply a summary of where you are and where you are going. It's a one page overview of the business plan that someone could read and know exactly what you do, what you are focusing on, and where you are.
2. Management — Who are the managers, what is their experience, what do they do?
3. Business Objectives — What do you want to accomplish from your business? This can be a bullet page; it can say, "We want to grow our business from this to this." These business objectives will serve as milestones along the way.
4. Marketplace — What is your audience, who are you selling to, how many of them are there, where are they, how do you define your marketplace?

5. Marketing Plan — What's your way of getting things across? How can you reach those people?
6. Competition Analysis — Knowing who your competition is. This is a powerful part of the business plan. We'll get into this later on.
7. Exit Strategy — What's your plan to get out of it at some point? Where do you want this to go? How are you going to sell this, are you going to pass it on to your kids, what's your succession plan?
8. Financial Summary and Projections

The Exit Strategy

Generally, a business plan will come out in the order above. Now, if you want to write a business plan, you should start with the Exit Strategy. The reason for this is that the actual plan is designed for you to achieve your exit plan. The exit strategy can be one paragraph. If you have a clear exit strategy, you will make a lot better decisions as a company.

The second thing you want to look at is your company's financial projections because that's how you are going to justify the exit strategy.

Once you've done that, the next thing is to define your business objectives. That typically involves revenues and market penetration. Market penetration is what share your business is going to have of the market, or what percentage of the marketplace you are going to take.

You'll notice that each step along the way provides a check for the previous step. The fourth thing you want to do is look at your marketplace. It has to match your financial projections. If you're projecting designing 10 fire stations and there are only 5 possible customers, you need to either expand your demographics, your locations, or ratchet your numbers down.

After the marketplace, look at the Sales and Marketing Plan. These both go hand-in-hand. What's going to be your messaging? How are you going to get the message out into the marketplace so you can achieve your business objectives and hit your financial objectives for your exit strategy?

Next, look at your Competition Analysis. Believe it or not, this is a really important part of the business plan. There is more to learn in a Competition Analysis than in any thing else you'll do in business. If you learn what your competitors do well and don't

do well, you can learn a lot about your business without you having to reinvent the wheel.

The next thing is the Management Team. When you write this, you want to talk about your management team with respect to your Exit Strategy. So if you are at \$1 million in revenue and you want to be at \$10 million in revenue, what is the capability of your management team in regards to the \$10 million? When you do this, you will find big holes ... which in turn goes back to your weaknesses. In every one of these areas, you should be focusing on your weaknesses and threats. Some companies may take an employee who had a class in accounting 101 at a community college (usually they don't say that) and say that he has a very strong financial background. Or, you can say, "... in some areas we are weak. In the accounting department, when we are a \$10 million company, we will have to bring in someone that is stronger in the financial background than what we have." When you see that, you will make better hiring decisions right now as you grow your organization. If you see your weaknesses, you will start making decisions differently.

The last thing to do is the Executive Summary. Guess where most folks start when they begin a business plan? The executive summary. That's like writing Cliffs notes before you write the book. The executive summary is the easiest part of the whole business plan. Most people get stuck here because they don't know what to say. That's because they are trying to summarize something that they haven't written yet. The numbers and the strategies in the business plan don't make sense by going from really broad to really specific. It becomes much easier to go specific and zoom out to the large picture because the numbers will match up.

Another important aspect that is not included in the components of a business plan but is vital to the exit strategy is, "How much do you want to get from your business when you sell it?" In the case of starting a firm, this will define how day to day decisions are made or operations are run. When you set your business up, say to yourself, "I want to start a business I can sell for \$2 million," or whatever you determine. Regardless of what you do, this becomes the cornerstone for everything else you do in the company. When you have that established, you begin to think, "Now how to I build a \$2 million business?" Then you start to look at the sales, marketing, everything else to see what you have to do to make the \$2 million. How do you justify the \$2 million price range? Typically it will be through revenues, earnings, and assets. A good way to do that is through the earnings, not the revenue. Exit strategies are not cast in stone. However, ask yourself, "What is my preferred exit vehicle, do I want to go public? Do I want to sell out to the employees? Do I want to give it to my kids? Is there some kind of succession plan? Do I want to do a private sale or a strategic sale? Who would want to buy this company, and how do I make it so they will want to by this company?" Amazing things happen when you put a time frame to your Exit Strategy. It adds an urgency to getting things done.

The Marketplace

In order to grow any business, there needs to be a market. You need to know your marketplace. Very few people know who their marketplace is in business. Most people take a shotgun approach on who their market is and who their target is. Harward (a small business consultant) shared an example of a client. A client was a carpet salesman and he asked, “Who’s your customer, who buys your carpet?” The salesman replied, “Pretty much anybody is buying our flooring.” Harward said, “Really? You have 5 year olds buying flooring? How many 10 year olds? Fifteen year olds? Twenty year olds? How many 25 year olds?” The client said, “Oh probably a couple of 25 year olds, but not really, that’s not really our target market either.” Then Harward started from the other end of the spectrum, “How many 90 year olds? Seventy year olds? Sixty year olds? How many 50 year olds?” The client answered, “Well we get a lot of 50 year olds, too.” Harward continue, “So your age demographic is from the 30s to mid 50s. How many men do you have buy carpet?” Less than 5% of men were buying their carpet. Ninety-five percent of their target were female. When they started to cover the demographic of how much income the people have, they found that it wasn’t a vast market. For the most part, it was a really narrow market. In the area that they service, they could actually narrow it down to about 15,000–20,000 households. Out of 150,000 households in the area, there were about 15,000–20,000 that were their market, and they had been shot-gunning it out to the whole 150,000 the whole time.

One way to find your target market is to find an expert forecast. This is difficult to do when you have limited capital. You can estimate past data and say to yourself, “What happened last year? Is it expected to grow?” You can also find parallel data by finding out what others like you are doing. One of the suggestions to good marketing is to actually refine things to a point where you can describe a typical person in your market. When you know your target market, even down to the description of that person, how old they are, what they do, what their behaviors are, how they think, what they worry about, what they lose sleep over, and what they wished they had in their life, you will be that much more effective.

The market has several different aspects such as: geographic areas, how far people will come for my services, what is their age, and who generally buys it. Apply educated guesses. A lot of people get frustrated because they can’t find the statistics they want. That’s fine for a business plan. You may be off by a thousand or two on demographics. For business plans, you are not talking about exact numbers, and that’s fine.

Know your market trends. Is it growing, shrinking, standing still, is it mature, is it on the leading edge of the market? Where is it now and where do you think it will be over the next seven years?

Competitive Analysis — The big question everyone asks about their competition is, “What do we do better than they do?” All that is gained from that question is a pat on the back that you do some things better than they do. A better question to ask would be, “what do they do better than I do?” There are all sorts of things you could find out about your own company by asking that question. One of the tendencies is to try to diminish your competition’s strengths, but if they get more business than you, then say, “Wow, they sell more than we do, what do they do differently, how do they do it?” You should already know what your strengths are against them. There are always segments of the market that have more focus, and there are always segments of the market that are open for competition. Know what areas are open for competition. Look for the open opportunities and exploit those areas. It makes it a lot easier when you know your marketplace. If you want to find out about your competitors, here are some sources:

Vendors — the vendors are selling to your competitors. You can ask general questions like, “How are they doing, how are their sales, are they up or down, how are they marketing?” There is nothing wrong with asking vendors.

Guess where your employees worked? They worked for your competitors. There’s nothing wrong with asking employees, “What do they do better than we do? If you had to pick something better, what would it be?” Push them, when they start getting to the small stuff like, “They had this really cool bonus program, they had this customer appreciation day they did once a year.” If you find something that makes sense, you may want to try it .

Customers — they’ve most likely used your competitors too, ask them, “What was your experience?” Don’t do this as a way to rip them apart, but rather to learn from the customers.

Talk to their current employees — when you go to trade shows, business meetings, and association meetings, ask their employees. Don’t be afraid to go out and ask people. You don’t have to do this alone. Someone is already out there, and they have done this; they have made the mistakes. Learn from their mistakes, learn what they are doing. It’s probably the single best resource small businesses have, and they don’t take advantage of it. It doesn’t even have to be small businesses. If you want your firm to become great, look into one of those big public design firms and learn their financial statements, their ratios, their cost factors, and their pricing strategies, it’s all public information. They have people that they pay \$200,000 for doing what I just recommended. Figure out how they did it and you’ll find there are some things you

can copy and others that you don't want to copy because they got in trouble for it. Make that more of a resource for you.

Resources

Finally, here are some resources for you that are great for business planning.

SBA.gov — the Small Business Administration. They have a fantastic website, all sorts of resources, they have sample business plans, they have all kinds of samples and economic scenarios.

The U.S. Bureau of Labor Statistic (www.bls.gov) — You can find just about anything about industry growth, labor growth, wage growth. You can break it down county by county and find out how many new people work in this industry, what's the average increase in wages for a draftsman, what's the growth and demand. It gives you a lot of business statistics.

The U.S. Census Bureau (www.census.gov) — anytime you want to look for tourist statistics this is a fantastic site. They have census data with all of the trends and track estimates of where things are going for the next 20–30 years. They have this historical data that is really interesting. You can find out how many people a specific zip code make over \$100,000, that have a passport, and have been out of the country twice in the last year. If you decided your target market, you could go to the census department and they would tell you exactly how many on the U.S. census meet those requirements.

Chambers of Commerce — If you are in a business to business environment where you are designing other businesses, one of the jobs of the Chamber of Commerce is to do research and provide good information to businesses that are thinking about moving into the area. If they don't have the statistics, often the Chamber of Commerce will do research for you and tell you statistics about how many restaurants have opened up in the last ten years, how many of them have closed, how many of them have failed. They will get all of those statistics for you. They are a great business to business resource.

If you want to look at potential customers or competitors, and you want to find out more in-depth information about them, there are pay-per-use sources like Dunn and Bradstreet, Hoovers, and Hill Research. You can go pay anywhere from \$30–\$100, and they'll give you a full bio on any company or organization in their database, and they have millions and millions of companies. They'll tell you their credit ratings, who their primary owners are, what their ownership structure is, how many employees they have, and what their reporting is as far as earnings and income. They

give you all sorts of information on private companies. You can do that with customers or you can do that with competitors.

Yellowpages.com — This is a really good source for finding the marketplace in any area, it takes very little time, and it's free. There's a big difference in setting up a company with a plan to "market to a lot of libraries" versus, "There are 438, and our target is to get 136 of them in the next two years to design new construction or remodel, so we have a 30% market penetration and here is our ..." When you can get specific like that, your ability to plan and come up with a strategy goes through the roof.

There are list companies — One example is listusa.com. They have really interesting demographics. They have a search engine on the website and many times without even buying a list you can type in the detailed information, and it will come back and say, "We can have a list that meets that criteria, and we have 3,642 names." That's a great start for marketing research, knowing you have 3,642 people that you can market to right now, today, whether you buy this list from them or not.

Another list company is Map Point Software — This is an add-on to Microsoft Office. It's a great way of looking at marketing information and consumer information in a visual representation. It will draw a map and is connected to the Census Bureau databases. So if you want to look at a zip code and find out age and income, it will actually draw a map of the area and shade everything based on the average income and the average age, and you can see where you should be targeting, where you should locate your business, and it will show you an actual visual tied to the demographics.

Summary

After all of this information, don't procrastinate! If you go in the order above, you'll find that your business plan will actually flow much easier and much smoother. So once you have a business plan, you ought to share it with some key people:

1. Employees — the only thing you should leave out is the exit strategy when showing it to anyone. The rest of the business plan you should share with your employees. When they are clear on the direction you're going, they will produce more knowing the dates, timeframes, and quantities that will determine if you are successful.
2. Spouse — so you can justify all the time spent on work.
3. Banker — This is an important relationship. Someone described the bankers as being someone who will love to lend you an umbrella when it isn't raining

outside. The key to working effectively with banks, is to go to a bank when it isn't raining outside. Try to choose a time when you don't need the loan yet. This will impress the banker. This is one of the very few times your consultant's interest is exactly in line with yours. The more successful you are, the more money they make. It is just the opposite with other consultants. The bottom line is the price, if your consultants make more money on the price, you lose money on the price. If you win, they lose.

4. Customers — Share your vision statement with customers. They like to deal with companies that they know are winners.
5. Other Consultants — Companies should share their vision with other consultants. By consultants, I mean those whom you work with on projects (engineers, landscape architects, etc.) as well as those who help with your firm's legal and financial issues (attorneys, CPAs, lenders, etc.). The firm will negotiate for an extension of terms on a contract with the consultant. If they know where you are headed, or what kind of firm you are or have been, many times they will grant the extension. It generally means to them that they'll work with you on more projects in the future.

At least once a year after you review your written business plan, you should do a major overhaul. Look at your plan five years out. Once a year, review where you are, what you are doing, and talk about what changes need to be made. In a business plan, the goals and visions don't change very often. What changes frequently are the things you are going to do to get there. Quarterly, make small changes to the business plan, however, don't recirculate the plan to everyone. Do that just once a year. Review the financial part, go back to your financial model and say, "What will be the overall impact to my model if I start charging this service, or if I charge 3% lower than we have been on this service? How will that impact our profitability and income?" Always have a running business model that is current and accurate.

X. Conclusion

Summary

If you read this, you are most likely preparing to graduate and brave the real world in the profession. There are dozens of opportunities to work in the industry as an architect (working at an existing firm, working indirectly within the industry, etc.). Starting your own firm is simply one of them.

From the IDP to the ARE, from business planning to consulting; if you are still set on starting your own firm, remember this, "Many of life's failures are people who did

not realize how close they were to success when they gave up.”⁵³ This profession is difficult to pursue. Though school stresses are high, hours are long, and criticisms are many, continue to view it as a challenge. “Unless a man/woman undertakes more than he possibly can do, he will never do all that he/she can.”⁵⁴

Taking a look at the numbers, many people have started firms. Most firms in existence today started within the last 10 years. This offers great hope that if they can do it, so can you. I would however add the caveat that if you do not have the patience and discipline, this could be a difficult journey.

To conclude, there are many important factors to starting an architecture firm. There are even more factors that go into running an architecture firm that were not touched on in this document. I want to finish with recapping and give some last suggestions that might help you remember what you’ve read.

Leadership within your firm is a great determining factor in how successful your firm is. “A leader is one who knows the way, goes the way, and shows the way.”⁵⁵ Be an example of hard work to your employees, reprimand in private and praise in public. The success of a businesses organization cannot filter up the corporate ladder, it must come from the top down.

Looking at various architecture firms and consultants, we could start to discern similarities and differences. All firms that I interviewed started with little or no capital. This might suggest that it isn’t as expensive as some might think to start a firm. Small firms hire out work to save on overhead. Medium-sized firms started to provide other services such as engineering or construction management. Large firms begin to open branches and offer international services. Learning the techniques of other firms you can gain a sense for your firm of what to do or not to do. “Do what you can, with what you have, where you are.”⁵⁶

Culture is an important element to the firm. You have the capability to create a foundation for the type of culture you want at your firm. As you hire others to work for you, there will be an opportunity to listen to them and learn what they know to

⁵³ Thomas Edison, “Quote on Life’s Failures”, <http://www.quotationspage.com/quote/1977.html> (accessed December 15, 2007).

⁵⁴ Henry Drummond, “Quote on Life’s Undertakings”, <http://www.brainyquote.com/quotes/quotes/h/henrydrumm385519.html> (accessed December 15, 2007).

⁵⁵ John C. Maxwell, “Quote on Leaders”, <http://thinkexist.com/quotation/a-leader-is-one-who-knows-the-way-goes-the-way/535658.html> (accessed December 15, 2007).

⁵⁶ Theodore Roosevelt, “Quote on Doing What You Can”, http://thinkexist.com/quotes/theodore_roosevelt/ (accessed December 15, 2007).

build the firm's IQ. As you do this, your firm will be healthy, your employees will want to stay because they feel involved, and your firm will become more successful as a result.

Set up a business plan. If you do this, you will have an advantage over 95% of starting companies. Remember the five laws of successful businesses. Use the SWOT strategy and study your weaknesses and threats, you'll discover growth opportunities if you do. Reflect back often to the components of the business plan and the resources for obtaining key information. The business plan is your plan of action, a meaning to all of your madness.

As you consider your organization, set it up with accountability. Make sure you clearly communicate your vision and goals with your employees. Get them excited about the company's mission statement. Use the star system to hire your employees, don't get caught up in hiring the wrong employees, you can't afford it. Compensate your employees fairly, and do it with the performance driven compensation technique. It will work, and your employees will work harder and become more efficient.

One final comment, there are a lot of elements that should be taken into consideration in order to start an architecture firm. Most firms start up with the knowledge of only a few of these topics, but still succeed. The key is to continue to develop each area of the business as your business grows. The more you define your company's needs and weaknesses, the more you'll discover the things you need to do to become successful. Good luck.

XI. Resources/Annotated Bibliography

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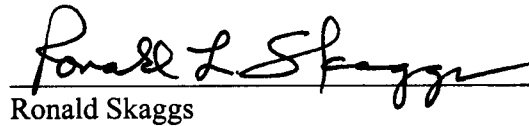
B. Todd Riches

May 2008

We Certify that we have read this DArch Project and that, in our opinion, it is satisfactory in scope and quality as an DArch Project for the degree of Doctor of Architecture in the School of Architecture, University of Hawai'i at Mānoa.

Doctor of Architecture Project Committee


Fred L. Creager, Chairperson


Ronald Skaggs


Carol Sakata